



# UNIVERSITY OF SOUTH CAROLINA



## **Comprehensive Annual Financial Report** For the Year Ended June 30, 2018

A Component Unit of the State of South Carolina

### **ON THE COVER**

Sponsored by the University's Board of Visitors, the top of Capstone Residence Hall is illuminated by a garnet glow to honor academic and athletic accomplishments of the University of South Carolina.

*Photo provided by University Creative Services*







# **Comprehensive Annual Financial Report**

For the Year Ended June 30, 2018

A Component Unit of the State of South Carolina

Prepared by the Controller's Office

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# Introductory Section

(Unaudited)

UNIVERSITY OF SOUTH CAROLINA

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Harris Pastides  
President

November 1, 2018

Dear Carolina Community:



We started this journey together at a time of great uncertainty and together we've led our state's flagship university into an era of unrivaled confidence and success. In the years ahead, we must continue to harness this momentum and drive even greater progress for the people of this state and our world.

No one can guess what the world will be like a decade from now, in the same way I could not fully predict ahead from when I started as President in August 2008. However, I can assure you that ten years from now, in 2028, our university will be different and better than today...stronger and more impactful. Because we must be.

The University of South Carolina is driving our state's future by delivering on a forward-thinking strategic plan to build a more prosperous and vigorous South Carolina. Our flagship system — with eight institutions in 19 geographical locations plus an impressive army of 180,000 in-state alumni — provides an overall economic impact of \$5.5 billion, supports one in every 37 jobs, and generates \$220 million in tax revenue for the state, as well as \$41 million of economic input to local communities from visitors to our campuses. We're also growing the state economy by strengthening partnerships with companies like Boeing, IBM, Siemens and Samsung, and through the launch of our new Digital Transformation Lab.

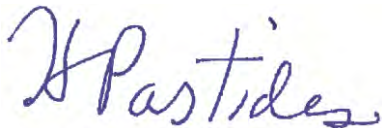
It's clear that a bachelor's degree from the University of South Carolina doesn't just make a difference, it makes the difference. That's why we are collaborating and innovating to ensure more South Carolinians and underrepresented students have access to not only the most affordable and flexible bachelor's degree programs in the state, but also career-lifting opportunities they help to produce. For example, our College of Engineering and Computing approved collaboration agreements with Claflin University and South Carolina State University to establish 3+2 programs, which will provide important pathways for students to achieve dual-bachelor's degrees in leading STEM fields. These are in addition to innovative pathways and scholarships, such as University of Possibilities, Gamecock Guarantee, and Opportunity Scholars which support first generation and low-income students.

Over the next decade, we will do even better by reducing unnecessary student debt by efforts to graduate in four years or less, keeping internal costs under control and keeping tuition increases as close to zero as possible. We're already known as pioneers of timely graduation through our "On Your Time" initiative, as we've more than doubled the number of students graduating in four years or less and increased the number of students graduating in three years by 170% since 2008. We're taking this work to the next level by increasing the number of course offerings during our summer and side sessions and launching innovative three-year degree plans and "plus one" master's programs that will streamline the time needed to earn a bachelors and graduate degree.

In addition, we're committed to the most affordable bachelor's degree in the state by giving our students the option to attend one of our regional campuses or another two-year option, and then finish their degree online through Palmetto College. At USC Columbia, for example, 46 percent of our students do not borrow at all. Of those who do, the average debt is \$29,012, below both the state and national averages. For in-state students, these are even lower. Over the next ten years, we're committed to great flexibility and affordability for all South Carolinians.

We know that our USC system is creating the future leaders, entrepreneurs, social workers, educators and more that our state needs to lead in the 21<sup>st</sup> century. We most appreciate your confidence and ongoing support in our work together to make South Carolina an even greater place to live, learn, work, and call home.

Sincerely,



Harris Pastides

## University of South Carolina Strategic Plan

Initiated in 2008, *Focus Carolina* is a strategic plan that outlines the key strategic drivers that guide decision-making for the University of South Carolina, Columbia.

*Focus Carolina* articulates the university's emphasis on quality, leadership, innovation, diversity, access, global competition, and community engagement. Specific initiatives derived from *Focus Carolina* include aerospace science and engineering; alternative fuels, materials science, composites technology, and nanotechnology; sustainability and the environment; P-20 education; and, Rule of Law. Other goals include improvement of student retention and on-time graduation, increasing access to baccalaureate degree through USC's regional campuses, and more focused efforts with community engagement.

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On September 8, 2015, President Harris Pastides assembled the executive team for a day-long retreat to consider options for refining *Focus Carolina* and for developing a **refreshed** strategic plan for the university. President Pastides called for a plan for the University's future that assumes the still relevant priorities of *Focus Carolina* while establishing updated goals that are based on current environmental dynamics in the state, nation, and the world.

At the October 18, 2015, meeting of the University's Board of Trustees, President Pastides and Provost Joan Gabel outlined for the Board a process by which a refreshed strategic plan would be developed, vetted, and discussed with University stakeholders. President Pastides and Provost Gabel committed to developing a refreshed strategic plan containing measurable goals, progress against which will be reported to the Board on a regular basis. The strategic plan's goals were to be aligned with an institutional dashboard of metrics that contain our data with data that allows us to compare our progress against peer and peer aspirant institutions across time.

During the January 2016 retreat of the Board of Trustees, the university's administration presented to the Board an initial draft of the refreshed goals of the new *Focus Carolina* strategic plan and proposed objectives. The new plan reduced the seven goals of the original *Focus Carolina* plan to five.

- Educating the Thinkers and Leaders of Tomorrow
- Assembling and Supporting a World Class Faculty
- Spurring Innovation, Creative Expression, and Community Engagement
- Building Inclusive and Inspiring Communities
- Demanding Institutional Excellence

Over the course of the 2016 calendar year, these goals and corresponding objectives were discussed and vetted through a series of stakeholder meetings to include:

- The bi-annual Provost Retreat,
- The Council of Academic Deans Retreat,
- The Strategic Planning Committee,
- Faculty Senate, and
- The Provost Town Hall on Strategic Planning.

During the January 2017 retreat of the Board of Trustees, the provost presented the new Academic Blueprints that were developed to ease the ability to collect and compare performance data across academic units. An updated draft of the new strategic plan's goals, objectives, action items and metrics was also presented. This was the first attempt to connect the strategic plan

with metrics that help the university's Board and administration to monitor the institutions progress against proposed strategic objectives both across the university and within each academic unit.

In August 2018, the final version of the strategic plan, entitled Focus Carolina 2023, was unanimously approved by the Board of Trustees. The same five objectives (now called Strategic Priorities) presented to the Board in January 2016 represent the broad strategic direction for the university. For each strategic priority, strategic objectives have been defined; and, for each strategic objective there are commitments and performance indicators that are used to track progress over the next five-year implementation. A summary of the strategic priorities and objectives follows:

### **Strategic Priority 1 – Educate the Thinkers and Leaders of Tomorrow**

**Strategic Objective 1A** – Measured enrollment growth of a highly competitive and diverse student population

**Strategic Objective 1B** – Improve student retention and progress toward on-time graduation

**Strategic Objective 1C** – Maintain academic programs that are robust, relevant, innovative, and collaborative

**Strategic Objective 1D** – Expand high impact experiential learning within- and beyond-the-classroom

**Strategic Objective 1E** – Improve student career readiness and placement

**Strategic Objective 1F** – Increase graduate enrollment and doctoral degrees conferred

### **Strategic Priority 2 – Assemble and Support a World Class Faculty**

**Strategic Objective 1A** – Hire and retain highly productive and diverse faculty scholars and educators

**Strategic Objective 1B** – Incent and reward high quality teaching

### **Strategic Priority 3 – Spur Innovation, Creative Expression and Community Engagement**

**Strategic Objective 1A** – Increase entrepreneurship and innovation

**Strategic Objective 1B** – Encourage creativity and engagement with the arts

**Strategic Objective 1C** – Facilitate community partnerships

### **Strategic Priority 4 – Build Inclusive and Inspiring Communities**

**Strategic Objective 1A** – Develop a welcoming community and an inclusive university culture

**Strategic Objective 1B** – Increase the diversity of students, faculty and staff

### **Strategic Priority 5 – Demand Institutional Excellence**

**Strategic Objective 1A** – Improve notable external measures/rankings

**Strategic Objective 1B** – Increase philanthropic support

**Strategic Objective 1C** – Implement an incentive-based, measured growth budget model to create sufficient revenue and align resources with incentives



## GREENER STATUE

On February 21, 2018 the University unveiled a sculpture of Richard T. Greener, the first African-American professor at the University of South Carolina, serving during the Reconstruction Era, from 1873 through 1877. Greener was the first African-American graduate of Harvard University. In addition to teaching philosophy, Latin, and Greek at USC, Greener served as librarian and helped to reorganize and catalog the library's holdings, which were in disarray after the Civil War.

*Photo provided by University Creative Services*





Vice President for Finance &  
Chief Financial Officer

### *Letter of Transmittal*

November 1, 2018

President Pastides,  
Members of the Board of Trustees, and  
Friends of the University of South Carolina

We are pleased to present our Comprehensive Annual Financial Report of the University of South Carolina for the year ended June 30, 2018. This report includes the financial statements as well as other data that describes the University's financial position at the end of the year and helps ensure University accountability to the public. The annual report encompasses three major sections: Introductory, Financial, and Statistical, as well as all disclosures necessary for the reader to gain an understanding of the University's financial operations. The Financial Section presents management's discussion and analysis (MD&A) which, when read in conjunction with the financial statements and the notes to the financial statements, provides a more complete picture of the financial health of the USC System.

Responsibility for the accuracy of the information and for the completeness, reliability and fairness of all information contained in this report, rests with the University's administration. A comprehensive framework of internal controls has been established to provide a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of controls should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. We believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors and to the Audit and Compliance Committee of the Board of Trustees and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition.

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. For the fiscal year ended June 30, 2018, the University contracted with the independent certified public accounting firm of Elliott Davis, LLC to perform the University's annual audit. The auditors have issued



an unmodified opinion, the most favorable outcome of the audit process. The University's internal auditors also perform fiscal, compliance, and performance audits. The reports resulting from these audits are shared with University administration. Internal and external audit reports are provided to the Audit and Compliance Committee of the Board of Trustees. As a lump sum agency of the State of South Carolina, the University is required to provide a complete set of audited financial statements by October of each year for incorporation into the statewide Comprehensive Annual Financial Report. This report fulfills that requirement for the fiscal year ending June 30, 2018. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative overview and analysis of the basic financial statements. The letter of transmittal complements the MD&A and should be read in conjunction with it.

### **Profile of the University**

The University of South Carolina is a state-supported, coeducational institution of higher education. The University of South Carolina is home to more than 200 years of history and tradition, rising from a single building in 1805 on what would become the heart of the campus, the Horseshoe. The Palmetto State established South Carolina College, the precursor to the University of South Carolina, on December 19, 1801, as part of an effort to unite South Carolinians in the wake of the American Revolution. Located in the Capital City, the University was purposefully located and positioned to become the State's higher education leader. USC is one of only 32 public universities to receive both the top-tier research designation and the community engagement designation from the Carnegie Foundation. The University's mission is to educate the state's diverse citizens through teaching, research, creative activity, and service.

The University of South Carolina is governed by the Board of Trustees in accordance with Title 59 Chapter 117 of the State of South Carolina Code of Laws. The Board of the University of South Carolina is composed of 20 members including sixteen members elected by the General Assembly with one from each judicial circuit. Additionally, there are three *ex officio* members including the Governor (or designee), the State Superintendent of Education, and the President of the Greater University of South Carolina Alumni Association. The Governor also appoints one member at-large.

The financial reporting entity for the financial statements is composed of the Columbia campus, including the School of Medicine with locations in Columbia and Greenville, and seven system campuses. The accompanying financial statements present all funds belonging to the University and its component units. Eleven separately chartered legal entities, whose activities are related to those of the University and whose primary purpose is to provide financial assistance and other support to the University and its education program, are discretely presented as component units of the University. These include the South Carolina Research Foundation, the University of South Carolina School of Medicine Educational Trust, the Beaufort-Jasper Higher Education Commission, the University of South Carolina Development Foundation; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the Greater University of South Carolina Alumni Association; the University

of South Carolina Upstate Foundation; the University of South Carolina Upstate Capital Development Foundation; the Educational Foundation of the University of South Carolina – Lancaster and the Gamecock Club of the University of South Carolina. Because the activities and resources of these entities are significant, provide a direct benefit, and are accessible to the University, they are considered component units of the University and are discretely presented in the University's financial statements. Additional information on the reporting entity can be found in the notes to the financial statements.

The University of South Carolina's Columbia campus offers 300 unique degree programs and 150 areas of study through its 14 degree-granting colleges and schools. The University houses the only public law school in South Carolina and has two medical campuses. Access to the University is broad and deep. Joining the flagship campus in Columbia are four-year comprehensive, baccalaureate campuses in Aiken, Beaufort, and Upstate (Spartanburg-Greenville). Four two-year campuses-Lancaster, Sumter, Salkehatchie (Allendale and Walterboro), and Union help the University cover the state; making USC the most comprehensive and most affordable higher education system in South Carolina.

Additional access points include agreements with all technical colleges in the state and a bridge arrangement with Midlands Technical College that is designed to provide a one-year residential program that offers access, affordability and the eventual opportunity to enroll at the University of South Carolina. Palmetto College is an academic program coordinating unit that has expanded baccalaureate degree programs to rural populations via expanded online learning. In conjunction with Academic Partnerships, the University offers master's degree programs online.

The University conducts business under a comprehensive set of policies and procedures to improve communication, promote administrative consistency and efficiency and ensure compliance with pertinent state and federal laws as well as state and regional accreditation requirements. Financial policies are in place for university accounting to include revenue and expenditures, contract and grant accounting, tuition and fee assessment, payroll and capital debt. Following the implementation of new administrative finance systems, policies have been updated to conform to revised practices.

### **Local and National Economy**

The economic position of the University is robust evidenced by consistent operating revenue growth, strong increases in net tuition and fee revenue, and stable, manageable changes in operating expenditures. The University's financial performance is loosely tied to that of the State of South Carolina despite significant reductions in state appropriations following the Great Recession for the period 2008 through 2012. For the 2019 fiscal year now underway, additional Education and General funding was provided to all University system campuses to support academic initiatives that promote access and affordability for residents of South Carolina. Total new operating funding is approximately \$8 million and fringe benefit funding of \$3 million is provided to support a

portion of state employee retirement contributions and health insurance increases. While state institutions have not benefited from a capital bond bill for higher education since 1999-2000, critical capital project funding of \$21million is allocated to the USC System for 2019.

According to the South Carolina Board of Economic Advisors (BEA), final state general fund revenues exceeded the annual forecast for the 2018 fiscal year. The state experienced a revenue surplus of more than \$177 million primarily due to higher than expected individual income tax payments and lower than expected individual tax refunds. The projected increase in revenue was forecast at 4.6 percent, but actual growth equaled 6.7 percent. The state has fully funded both the Rainy-Day Fund at 5 percent of the prior year's General Fund Revenues and the Capital Reserve Account at 2 percent of the prior year's General Fund Revenues. The initial 2019 fiscal year growth forecast is expected to be 6.4 percent. South Carolina finished the 2018 fiscal year with the strongest revenue growth in the Southeastern United States.

Federal grant awards increased by approximately \$4 million across the system from 2017 to 2018 and have increased by \$38 million since the end of the federal stimulus era in 2013, an increase of 17 percent over a six-year period. Locally, the University's reported endowment reached \$810 million to end the 2018 fiscal year, surpassing the prior year by more than 5 percent.

### **Long Term Financial Planning and Major Initiatives**

The University of South Carolina engages in a systematic, integrated, system-wide process of planning and evaluation that seeks to ensure clarity regarding the institution's mission, goals and outcomes; provide data-based feedback and assessment to ensure continual improvement for the University; and demonstrate that the University is effectively fulfilling its three-fold mission of teaching, research, and service. The University accomplishes this through *Focus Carolina*, the system-wide strategic planning effort, and the Annual Blueprint for Academic and Service Excellence process, which is the structured method for annual planning, evaluation, and assessment for each academic and service unit for the University. In September 2015, a new strategic planning process, *Carolina 2026*, was launched as an effort to describe a ten-year plan that will take the University to the 225<sup>th</sup> anniversary. The Board of Trustees participates in the planning process through the Ad Hoc Committee on Strategic Planning, the Buildings and Grounds Committee, and the Executive Committee. This commitment naturally encompasses the long-term financial, budgetary, and capital planning.

The University annually prepares a balanced operating budget. The budget development process is a comprehensive planning effort representative of the vision of the University to provide research, teaching, and service for the citizens of the State of South Carolina. Under the guidance of the Board of Trustees and in balance with the strategic plan, the University establishes priorities, creates budgets and controls expenditures. The University President determines internal budget allocations under the advice of the Chancellors, Provost, Chief Operating Officer and the Chief Financial

Officer. The process requires participation beginning at the department level and reaching out to all campuses as the budget is developed to reflect the investments identified to significantly enhance the academic reputation, benefit students and contribute to the economic and societal health of the State of South Carolina. The budget includes all operating budgets of the University, including the educational and general activities, auxiliary enterprises, sponsored programs and capital projects. Upon approval of the annual operating budget each June, the Board of Trustees delegates authority for budget execution to University administration. Budget monitoring is performed on an ongoing basis. The Division of Administration and Finance prepares quarterly budget updates for the Board of Trustees and comprehensive reviews at mid-year and year-end. The budget update includes comparison of the approved budget to current budget, and comparison of budget to actual performance. Supplemental schedules of revenue and expenditures are prepared for each budget unit and by campus. Monthly financial reports are provided for each fund to individual managers responsible for each account.

Beginning with the 2018 fiscal year, the USC Columbia campus initiated a comprehensive budget model revision intended to provide incentives to academic units towards efficient business operations and reward alignment with strategic goals. The University has worked with Elliott Davis and Huron Consulting to devise and introduce a new budget model to academic leadership. The 2019 fiscal year is the parallel, or “partnership” year with full implementation expected for 2020. Additionally, all academic and service units participated in a 3 percent reallocation of current budget to begin the new fiscal year. These recurring funds, totaling more than \$17 million annually, are available to support academic enhancements.

The Division of Administration and Finance annually prepares a comprehensive capital budget document each spring and works with both financial underwriters and financial analysts to determine and revise the debt capacity and impact that capital plans will have on the financial standing of the University. The University maintains a comprehensive debt management strategy and manages debt on a portfolio basis to ensure the highest attainable credit rating and the lowest cost of capital. Recent debt capacity studies indicate that current facility plans fit within the market limits for additional debt for the institution and the University continues to clearly communicate the importance of the investments and how each translates to continued enrollment and revenue growth.

Within the strategic plan, the financing plans include allocating existing resources and focusing existing operations toward achieving many of the objectives. Other plans require new public and private sector resources to become fully implemented. University resources are committed primarily to adding to the hiring and retention of faculty while maintaining and improving the physical plant and technology infrastructure required to produce desired mission-oriented outcomes.

## **Highlights from 2017-2018**

Total student headcount enrollment across the system increased past 51,000 in fall 2017, an all-time high and an increase of more than 1,000 students over the prior year. Critical student metrics including six-year graduation rate, retention rate of first-time full-time freshmen and average SAT score have increased and are targeted for improvement to ensure the quality of a USC education. The University Provost's Office developed and maintains a comprehensive set of dashboard metrics designed to enhance academic quality. This dashboard enables the University to document and monitor progress, compare data with other institutions, set future targets, develop strategies to meet targets and detail the resource needs to support the strategies.

South Carolinians comprise approximately 67 percent of USC System enrollment, and their number of resident students has increased in the past 10 years. Conversely, South Carolinians' access to USC is never shortchanged by the admission of out-of-state students. In practical terms, the average out-of-state student pays more than two-and-a-half times as much in tuition at the USC Columbia campus as do in-state students. In addition, out-of-state students pay two-and-a-half times the amount in-state students pay in fees for bond indebtedness, which is used to construct and renovate campus facilities.

Like many higher education institutions across the United States, the University relies on tuition as the primary source of funding. Both the regulatory and market environments will not tolerate future large tuition increases as a mechanism for funding the core mission. The University must gain access to new funding streams while enhancing existing revenues to more capably support the core mission. The President's Palmetto College initiative is an opportunity for the comprehensive and two-year regional campuses to collaborate with each other and Columbia to devise the strategies and develop the tools to open new markets and new revenue streams for all the campuses. Cost reductions and cost containment are the focus of the General Assembly and the Board of Trustees.

The University of South Carolina continues to invest in information technology infrastructure with the implementation of new administrative computing systems across the Student Affairs, Human Resources and Finance Divisions. Within the past six years Admissions, Financial Aid, the Registrar, the Bursar and Finance met critical "go-live" dates in the conversion of the legacy student and finance systems. The Finance system moved to the live environment on July 1, 2015. The University weathered a difficult transition including significant reconfiguration and retraining, but is beginning to reap efficiencies from the new, more integrated, system. Plans to modernize the Payroll and Human Resources administrative platform included a successful deployment of PeopleAdmin during 2018 and movement towards an implementation of PeopleSoft HCM in calendar year 2019. Conversion of these systems has begun following stabilization of the Finance modules and assessment of the implementation methodology and budget. The periods of implementation and stabilization remain critical for developing tools and reports that provide students with a user-friendly interface to the University and provide the administration with vital data to manage the University.

Capital planning efforts include the revitalization of the south campus housing district and relocation of the School of Medicine. The University is engaged in the external approval process for Campus Village, a transformative redevelopment of housing that will replace 1,200 beds in old facilities with 3,750 new beds in a revitalized living and learning community designed to be delivered over three phases between 2020-2024. The School of Medicine, currently located at the Dorn Veterans Affairs hospital site, will be relocated to modern facilities adjacent to Palmetto Richland (Prisma) hospital bringing new research opportunities and establishing the region as a hub of biomedical technology development. Additionally, renovation of the former Law School facility is underway to allow expansion of the undergraduate programs and provide critical teaching laboratory space to meet the requirements of an increased student enrollment. Planning and implementation of the Athletics Master Plan continues with the projected completion of the Football Operations facility in Spring 2019 and review of space in Williams-Brice Stadium. In an effort to think ahead and plan for the future needs of facilities and facilities maintenance to support the growing academic mission of the University, the Division of Administration and Finance annually updates the University's Five-Year Facilities Plan and the state-required Comprehensive Permanent Improvement Plan (CPIP). Upon approval by the President and Board of Trustees, these documents become the action plan for facilities projects.

Within the Division of Administration and Finance, the focus remains on service and technical excellence to support the academic enterprise. The Division upholds the Carolinian Creed as the guiding principles with teamwork, knowledge, and expertise forming the framework for service. The leadership team understands these concepts, and the long-term mission is to infuse all levels of Finance management and staff with these principles and framework. The staff has the responsibility to work those concepts into daily activities and practices.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University of South Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the seventh consecutive year that the University has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this Comprehensive Annual Financial Report in a timely manner was made possible with the support of the University President and the Board of Trustees.

The concerted efforts of professional staff in the Controller's Office and other University financial staff brought the report to conclusion. We appreciate the coordinated efforts of the University community, with special assistance from the Office of Institutional Assessment, Student Affairs, University Athletics, and University Communications. We wish to thank the Board of Trustees and the President for their continued commitment to the fiscal management of the University.

Sincerely,

A handwritten signature in blue ink that reads "Leslie Brunelli". The signature is written in a cursive, flowing style.

Leslie Brunelli  
Vice President for Finance &  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**University of South Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrell*

Executive Director/CEO



# UNIVERSITY OF SOUTH CAROLINA

## BOARD OF TRUSTEES



**John C. von Lehe Jr.**, Chairman  
9th Judicial Circuit  
Attorney



**Miles Loadholt**  
2nd Judicial Circuit  
Attorney



**Hubert F. "Hugh" Mobley**, Vice Chairman  
6th Judicial Circuit  
Pharmacist/Business Owner



**Leah B. Moody**  
16th Judicial Circuit  
Attorney



**Eugene P. Warr, Jr.**, Chairman Emeritus  
4th Judicial Circuit  
Attorney



**Rose Buyck Newton**  
14th Judicial Circuit  
Banker



**Chuck Allen**  
10th Judicial Circuit  
Attorney



**Tommy D. Preston Jr.**  
President, USC Alumni Association  
Attorney



**J. Egerton Burroughs**  
15th Judicial Circuit  
Real Estate Developer



**C. Dorn Smith, III**  
3rd Judicial Circuit  
Physician



**Mark W. Buyck, Jr.**  
Governor's Designee  
Attorney



**Thad H. Westbrook**  
11th Judicial Circuit  
Attorney



**Thomas C. Cofield**  
Governor's Appointee  
Attorney



**Mack I. Whittle, Jr.**  
13th Judicial Circuit  
Retired Bank President



**A. C. "Bubba" Fennell, III**  
8th Judicial Circuit  
Retired CPA



**Charles H. Williams**  
1st Judicial Circuit  
Attorney



**C. Edward Floyd**  
12th Judicial Circuit  
Surgeon



**Molly M. Spearman**  
State Superintendent of Education



**William C. Hubbard**  
5th Judicial Circuit  
Attorney



**J. Cantey Heath Jr.**  
Secretary



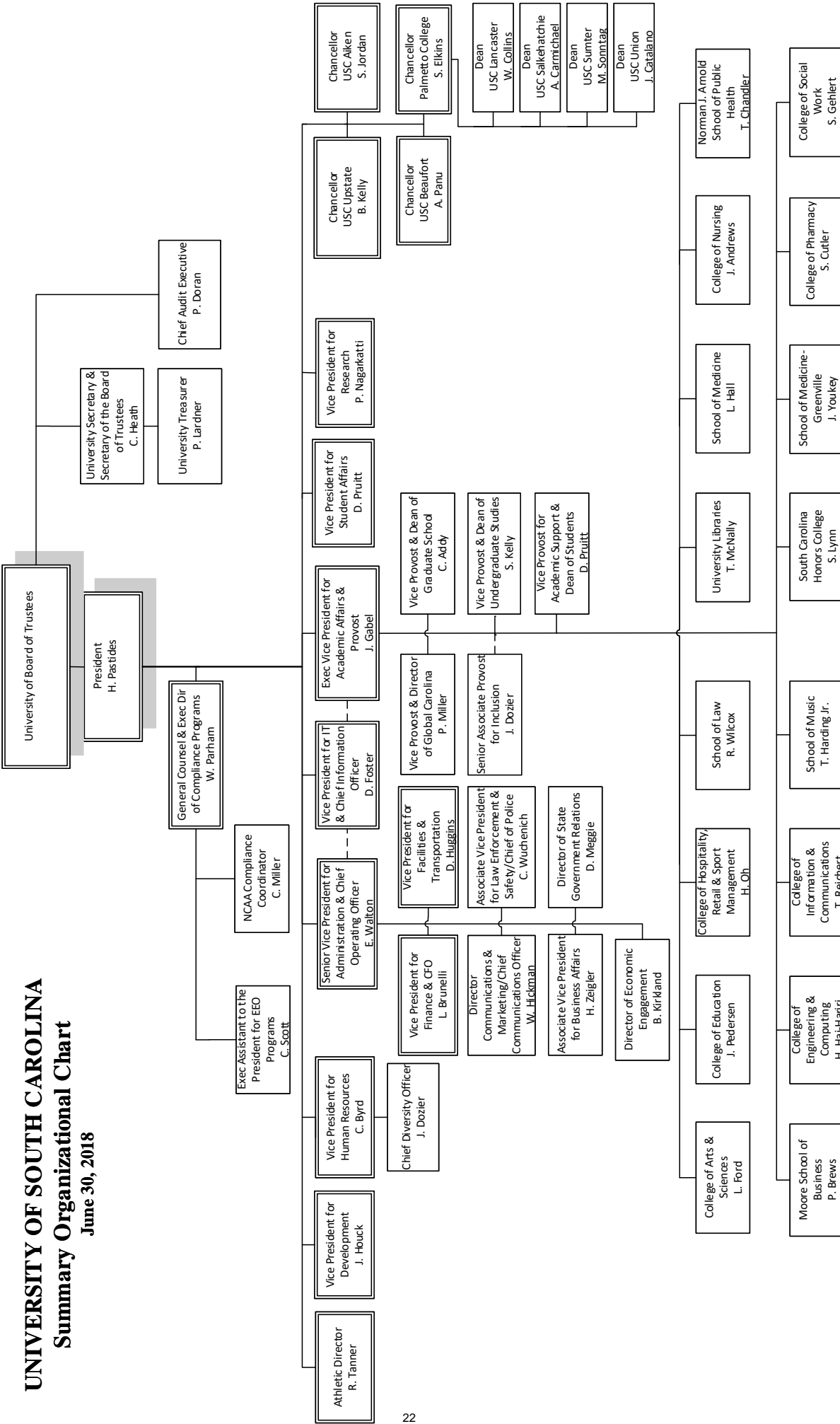
**Toney J. Lister**  
7th Judicial Circuit  
Attorney



**Henry McMaster**  
Governor of South Carolina

## Summary Organizational Chart

June 30, 2018



## University of South Carolina Officers

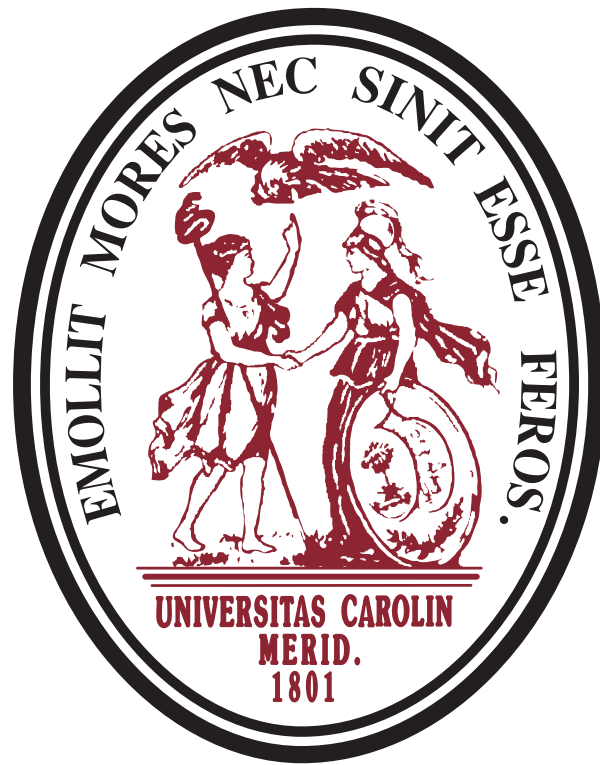
|                    |  |
|--------------------|--|
| Harris Pastides    | President  |
| Joan Gabel         | Executive Vice President for Academic Affairs and Provost                |
| Leslie Brunelli    | Vice President for Finance and Chief Financial Officer                   |
| Chris Byrd         | Vice President for Human Resources                                       |
| John Dozier        | Chief Diversity Officer  |
| Susan Elkins       | Chancellor, Palmetto College   |
| Doug Foster        | Vice President and Chief Information Officer                             |
| Cantey Heath       | University Secretary and Secretary of the Board of Trustees              |
| Jancy Houck        | Vice President for University Development and Alumni Relations           |
| Derrick Huggins    | Vice President for Facilities & Transportation                           |
| Sandra Jordan      | Chancellor, USC Aiken  |
| Brendan Kelly      | Chancellor, USC Upstate  |
| Patrick Lardner    | University Treasurer   |
| Prakash Nagarkatti | Vice President for Research  |
| Al Panu            | Chancellor, USC Beaufort   |
| Walter Parham      | General Counsel and Executive Director of Compliance Programs            |
| Dennis Pruitt      | Vice President for Student Affairs and Vice Provost for Academic Support |
| Ray Tanner         | Athletic Director  |
| Edward Walton      | Senior Vice President for Administration and Chief Operating Officer     |

## University of South Carolina Financial Staff

|                     |   |
|---------------------|---|
| Lindsay Anastasio   | Assistant Controller  |
| Harry Bell          | University Budget Director  |
| Pamala Cope         | Director of Payroll Systems   |
| Pamela Doran        | Chief Audit Executive   |
| Kelly Epting        | Associate Vice President for Finance  |
| Charles FitzSimons  | Director of Capital Budgets and Financing                                     |
| Karin Haile         | Director of Payroll   |
| Janis Hoffman       | Director of Business Process Improvement                                      |
| Earle Holley        | Vice Chancellor for Finance and Operations, USC Beaufort                      |
| Brad Holt           | PeopleSoft Finance Program Manager  |
| Mandy Kibler        | University Controller   |
| Venis Manigo        | Director of Purchasing  |
| Richard Moak        | Director of Finance Information Technology                                    |
| Becky O'Connell     | Director of Treasury and Cash Management                                      |
| Jeffrey Perkins     | Associate Vice President for Business & Finance, and Medical Business Affairs |
| Felicia Poston      | Director of General Accounting  |
| Nicole Pressley     | University Bursar   |
| Cam Reagin          | Vice Chancellor for Finance and Administration, USC Aiken                     |
| Sandra Smith        | Director of Financial Reporting   |
| Joe Sobieralski     | Columbia Budget Director  |
| Sheryl Turner-Watts | Vice Chancellor for Finance and Administration, USC Upstate                   |
| Helen Zeigler       | Associate Vice President for Business Affairs                                 |
| Vacant              | Director of Grants and Funds Management                                       |

As of 6/30/2018

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## Financial Section

## **Independent Auditor's Report**

The Board of Trustees  
University of South Carolina  
Columbia, South Carolina

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of South Carolina (the University), a component unit of the State of South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Carolina Research Foundation; the University of South Carolina School of Medicine Educational Trust; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the Greater University of South Carolina Alumni Association; the USC Upstate Foundation; the USC Upstate Capital Development Foundation; and the Educational Foundation of the University of South Carolina - Lancaster, which represent approximately 76 percent, 91 percent, and 83 percent, respectively, of the assets, net position/assets, and revenues of the University's aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of South Carolina School of Medicine Educational Trust; the Beaufort-Jasper Higher Education Commission; the University of South Carolina Development Foundation; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the Greater University of South Carolina Alumni Association; the USC Upstate Foundation; the USC Upstate Capital Development Foundation; the Educational Foundation of the University of South Carolina – Lancaster; and the Gamecock Club of the University of South Carolina were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate discretely presented component units of the University as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Restatement for Implementation of New Accounting Standard and Change in Reporting Entity**

As discussed in Note 16 to the financial statements, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for fiscal year ending June 30, 2018. In addition, the University is presenting the Gamecock Club of the University of South Carolina as a discretely presented component unit for the year ended June 30, 2018. Our audit opinions are not modified with respect to these matters.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of the Net Pension Liability, the Schedule of the University's Contributions, the Schedule of the University's Proportionate Share of the Net OPEB Liability, and the Schedule of the University's Contributions Related to the OPEB Liability, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Introductory Section, Columbia Campus Athletics Department Schedule of Funds Available for Debt Service, and Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Columbia Campus Athletics Department Schedule of Funds Available for Debt Service is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Columbia Campus Athletics Department Schedule of Funds Available for Debt Service is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
October 1, 2018



**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS**

Management's Discussion and Analysis provides an overview and analysis of the University of South Carolina's (the University) financial activities for the fiscal year ended June 30, 2018, with comparative information for the fiscal year ended June 30, 2017. This information should be read in conjunction with the financial statements and accompanying footnotes that follow this section. Condensed fiscal year 2018 and 2017 operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data. In addition, this discussion will focus on operations and financial position of the primary institution, the University. This discussion will not include the discretely presented component units, the South Carolina Research Foundation, the University of South Carolina School of Medicine Educational Trust, the Beaufort-Jasper Higher Education Commission, the University of South Carolina Development Foundation, Educational Foundation, Business Partnership Foundation, Alumni Association, the Upstate Foundation, the Upstate Capital Development Foundation, the Educational Foundation of the University of South Carolina – Lancaster and the Gamecock Club.

This report includes a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Codification Sections 2100-2900, *Financial Reporting*, and Co5, *Colleges and Universities*. The financial statements presented focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These statements present financial information in a format similar to that used by private corporations. The University's net position is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

**STATEMENT OF NET POSITION**

The Statement of Net Position presents the assets, liabilities, deferred outflows/inflows, and net position of the University as of the end of the fiscal year. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the University. The Statement of Net Position presents end-of-year data concerning the following:

- Assets - Property that we own and what we are owed by others.
- Deferred Outflows of Resources – Consumption of net position that is applicable to a future reporting period.
- Liabilities - What we owe to others and have collected from others before we have provided the service.
- Deferred Inflows of Resources - Acquisition of net position that is applicable to a future reporting period.
- Net Position - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

The Statement of Net Position is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is exchanged.

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the institution. Net position is divided into the following three major categories:

- Net investment in capital assets - Provides the institution's equity in property, plant, and equipment owned by the institution.
- Restricted net position -
  - a. Nonexpendable restricted net position consists solely of the University's permanent endowment funds and is only available for investment purposes.
  - b. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- Unrestricted net position – Represents resources available to the institution for any lawful purpose of the institution.

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**Summary of Net Position**

|  | 2018                    | 2017                  | Increase/<br>(Decrease) | Percent<br>Change |
|--|-------------------------|-----------------------|-------------------------|-------------------|
| <b>ASSETS</b>                                      |                         |                       |                         |                   |
| Current assets                                     | \$ 852,175,046          | \$ 756,773,660        | \$ 95,401,386           | 12.61%            |
| Capital assets, net                                | 1,408,408,595           | 1,366,002,843         | 42,405,752              | 3.10%             |
| Other noncurrent assets                            | 113,382,512             | 116,397,780           | (3,015,268)             | -2.59%            |
| Total assets                                       | 2,373,966,153           | 2,239,174,283         | 134,791,870             | 6.02%             |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |                         |                       |                         |                   |
| Deferred loss on debt refunding                    | 20,770,216              | 13,414,325            | 7,355,891               | 54.84%            |
| Deferred outflows related to OPEB liability        | 31,252,594              | -                     | 31,252,594              | 0.00%             |
| Deferred outflows related to net pension liability | 161,152,694             | 133,209,329           | 27,943,365              | 20.98%            |
| Total deferred outflows of resources               | 213,175,504             | 146,623,654           | 66,551,850              | 45.39%            |
| <b>LIABILITIES</b>                                 |                         |                       |                         |                   |
| Current liabilities                                | 204,322,627             | 161,222,726           | 43,099,901              | 26.73%            |
| Noncurrent liabilities                             | 2,472,767,269           | 1,524,499,230         | 948,268,039             | 62.20%            |
| Total liabilities                                  | 2,677,089,896           | 1,685,721,956         | 991,367,940             | 58.81%            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |                         |                       |                         |                   |
| Deferred inflows related to net OPEB liability     | 81,185,334              | -                     | 81,185,334              | 0.00%             |
| Deferred inflows related to net pension liability  | 2,916,855               | 4,705,179             | (1,788,324)             | -38.01%           |
| Total deferred outflows of resources               | 84,102,189              | 4,705,179             | 79,397,010              | 1687.44%          |
| <b>NET POSITION</b>                                |                         |                       |                         |                   |
| Net investment in capital assets                   | 817,715,306             | 776,824,984           | 40,890,322              | 5.26%             |
| Restricted - nonexpendable                         | 85,424,843              | 84,983,794            | 441,049                 | 0.52%             |
| Restricted - expendable                            | 135,215,492             | 132,299,730           | 2,915,762               | 2.20%             |
| Unrestricted                                       | (1,212,406,069)         | (298,737,706)         | (913,668,363)           | 305.84%           |
| <b>TOTAL NET POSITION</b>                          | <b>\$ (174,050,428)</b> | <b>\$ 695,370,802</b> | <b>\$ (869,421,230)</b> | <b>-125.03%</b>   |

- Total assets of the University increased by \$134.7 million due to increases in cash and restricted cash of \$59.1 million. These increases occurred as a result of bond proceeds for academic and athletic facility projects and increases in tuition and fee revenues. In addition, capital assets increased \$42.4 million as a result of the SCANA land purchase and the completion of the Student Health Center and athletic facility projects. (See Note 4 – Capital Assets)
- Deferred outflows of resources consist of:
  - The unamortized loss on debt refunding. See Note 1, Summary of Significant Accounting Policies, for more information.
  - The University's contributions after the measurement date and differences between the actual and expected experience in relation to the net pension liability recorded for the University's proportionate share of the State of South Carolina's SCRS and PORS net pension liability, related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. See Note 5 - Pension Plans for more information. Also included are the University's contributions after the measurement date and differences between the actual and expected experience in relation to Post-Employment Benefits Other Than Pensions (OPEB) recorded for the University's proportionate share of the State's net health and long-term disability liability related to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 6 - Postemployment and Other Employee Benefits for more information.
- The increase in noncurrent liabilities of \$948.2 million is primarily attributable to a \$858.7 million net postemployment benefits other than pensions liability recorded for the implementation of GASB 75 and an increase of \$73.4 million in net pension liability. Pension investments earned less than expected during the fiscal year resulting in negative cash flows due to investment earnings not being substantial enough to offset

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

plan costs and benefit payments. See Note 1, Summary of Significant Accounting Policies, for more information. Also, there was a net increase in noncurrent bonds payable of \$19.5 million due to the issuance of State Institution Bonds and Athletic Revenue Bonds and bond refundings. For more detailed information on capital leases and bonds payable (including savings achieved through bond refunding) please refer to Note 8 – Lease Obligations and Note 9 – Bonds and Notes Payable.

- Deferred inflows of resources include the calculated difference between actual and projected investment earnings on the state's pension and other postemployment benefits plans. Also included are the changes in the University's proportionate share and differences between University contributions and proportionate share of contributions.

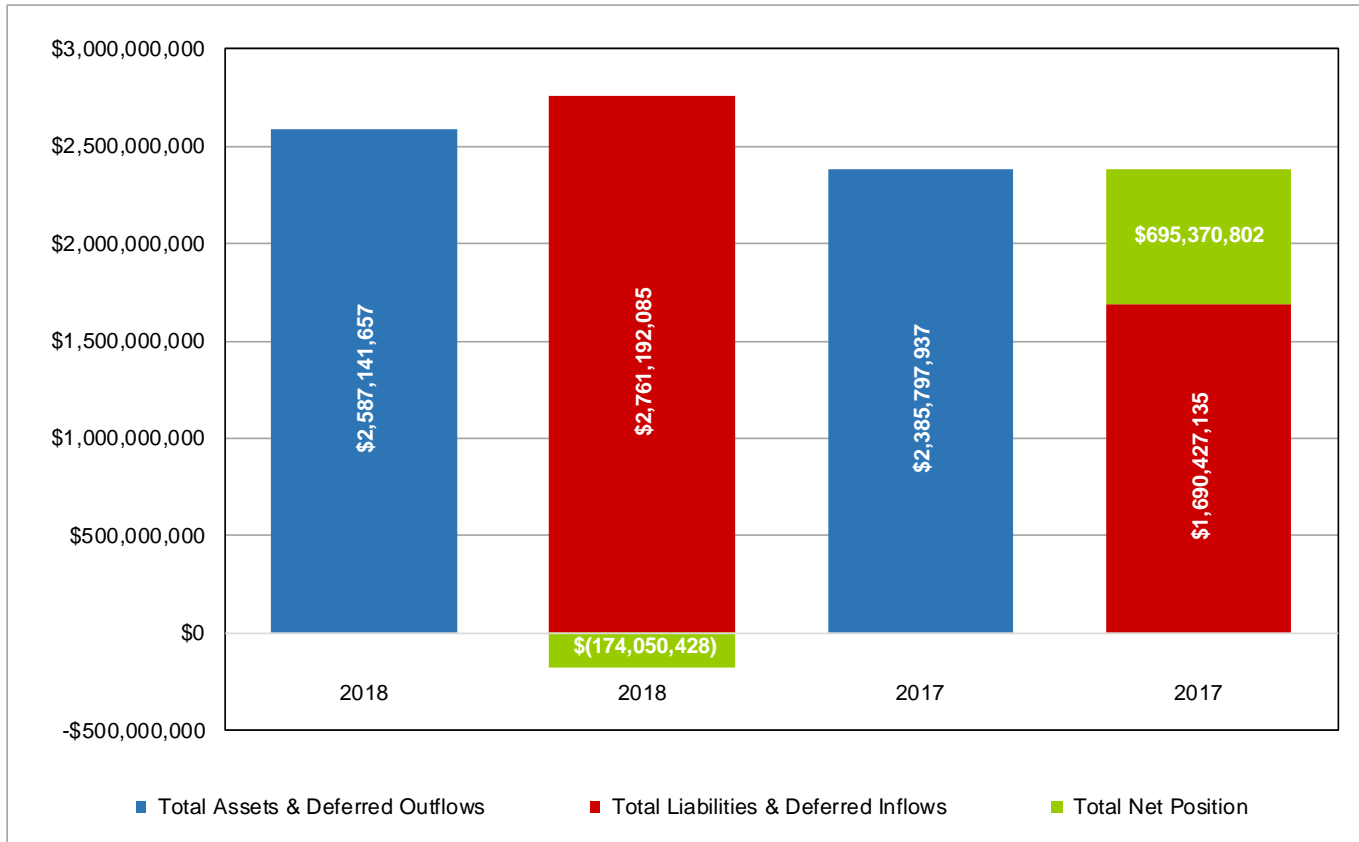
The net increase of the funds due to and funds held for others increased due to the \$14 million net position of the Gamecock Club and \$10.5 million in advance ticket sales.

**Restatement of Net Position**

During the fiscal year, the University had two events that required a restatement of beginning net position. This includes the transition of the Gamecock Club to a discretely presented component unit of the University of \$13.5 million and the implementation of GASB 75 of \$917.2 million. The total restatement is a reduction in beginning net position is \$930.7 million. See Notes 6, 11 and 16 for further information.

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position**



The net position of the University decreased during the year by \$869.4 million. The decrease is driven by the following:

- \$40.9 million increase in net investment in capital assets – Net investment in capital assets shows the difference between capital assets and the outstanding debt incurred to finance those capital assets. Not all long-term debt may be deducted from capital assets; only the debt issued to finance the University's capital assets is subtracted. Long-term debt associated with unspent bond proceeds is subtracted from the restricted capital project component of net position. Net investment in capital assets increased due to the start-up and completion of various capital projects, including several athletic facility projects, construction of the new Student Health Center, construction of the Hospitality Management Center at Beaufort, SCANA land purchase, STEM classroom and laboratory renovations and continued upgrades to campus technology systems.
- \$2.9 million increase in expendable restricted - Expendable restricted net position represents resources that are constrained to a particular purpose by externally imposed stipulations. These constraints may be derived from the donor of the resources or from an external entity. Also, restrictions can be imposed as a result of enabling legislation. The majority of the increase in expendable restricted net position is attributed to the completion of the Student Health Center and the completion of the Athletic Village renovations for track and field venue and construction of a new soccer field.

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

- \$913.7 million decrease in unrestricted net position - Unrestricted net position results from accumulated excesses of revenues over expenses derived from University operations. The University's unrestricted current funds are derived from state appropriations, student fees, institutional revenue and auxiliary operations that are not restricted for specific purposes. Unrestricted net position includes balances from operation of education and general activities, auxiliary enterprises, quasi-endowments and unexpended plant funds. Although unrestricted net position is not subject to externally imposed stipulations, most of these resources have been committed for specific University activities including academic and research programs, capital projects and significant upgrades to the campus technology network. The majority of the decrease was due to the \$858.7 million net OPEB liability.
- Considering the University financial position excluding the pension and OPEB liabilities, the unrestricted net position increased by \$38.6 million, an 8.5% increase over 2017. When the required liabilities are eliminated, the University shows growth due to strong enrollment and net tuition and fee revenue, an increase in auxiliary enterprises – primarily athletics and housing, and moderate expenditure growth of 4.19% year over year. Expenditure growth was restrained due to a management decision to reduce operating budgets across the Columbia campus by 3% to support future strategic plans.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public university's dependency on state aid and gifts will result in operating deficits. GASB requires state appropriations and gifts to be classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution.

Operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. State capital appropriations and capital grants and gifts are considered neither operating nor nonoperating revenues.

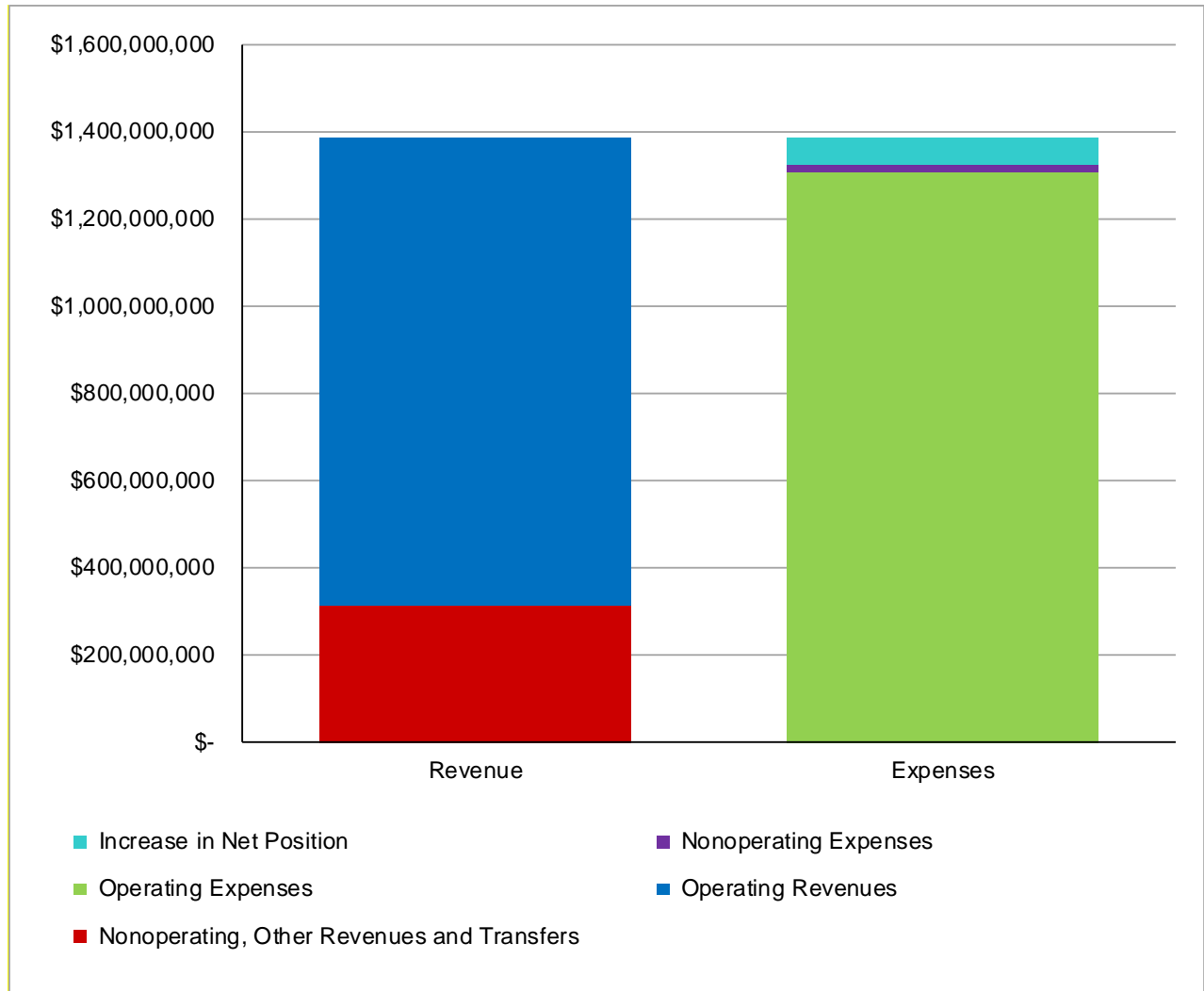
**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**Summary of Revenues, Expenses and Changes in Net Position**

|  | <b>2018</b>                    | <b>2017</b>                  | <b>Increase/<br/>(Decrease)</b> | <b>Percent<br/>Change</b> |
|--|--------------------------------|------------------------------|---------------------------------|---------------------------|
| <b>OPERATING REVENUES</b>                              |                                |                              |                                 |                           |
| Student tuition and fees                               | \$ 863,227,145                 | \$ 815,000,297               | \$ 48,226,848                   | 5.92%                     |
| Less: scholarship allowance                            | (311,005,333)                  | (294,096,093)                | (16,909,240)                    | 5.75%                     |
| Federal grants and contracts                           | 126,682,945                    | 107,649,007                  | 19,033,938                      | 17.68%                    |
| State grants and contracts                             | 119,391,326                    | 123,775,411                  | (4,384,085)                     | -3.54%                    |
| Local grants and contracts                             | 1,163,024                      | 1,278,422                    | (115,398)                       | -9.03%                    |
| Nongovernmental grants and contracts                   | 42,396,317                     | 39,517,612                   | 2,878,705                       | 7.28%                     |
| Sales and services of educational and other activities | 30,077,025                     | 33,535,238                   | (3,458,213)                     | -10.31%                   |
| Sales and services of auxiliary enterprises            | 189,954,650                    | 171,208,527                  | 18,746,123                      | 10.95%                    |
| Less: scholarship allowance                            | (3,747,608)                    | (3,081,990)                  | (665,618)                       | 21.60%                    |
| Interest collected on student loans                    | 297,225                        | 271,261                      | 25,964                          | 9.57%                     |
| Other fees   | 11,569,032                     | 10,945,682                   | 623,350                         | 5.69%                     |
| Other operating revenues                               | 3,097,774                      | 2,465,479                    | 632,295                         | 25.65%                    |
| Total operating revenues                               | <u>1,073,103,522</u>           | <u>1,008,468,853</u>         | <u>64,634,669</u>               | 6.41%                     |
| <b>NONOPERATING REVENUES</b>                           |                                |                              |                                 |                           |
| State appropriations                                   | 163,370,508                    | 158,734,432                  | 4,636,076                       | 2.92%                     |
| Federal grants   | 57,364,421                     | 50,126,984                   | 7,237,437                       | 14.44%                    |
| Gifts  | 55,519,337                     | 53,891,117                   | 1,628,220                       | 3.02%                     |
| Investment income                                      | 4,184,023                      | 2,532,748                    | 1,651,275                       | 65.20%                    |
| Endowment income                                       | (179,606)                      | 2,896,894                    | (3,076,500)                     | -106.20%                  |
| Total nonoperating revenues                            | <u>280,258,683</u>             | <u>268,182,175</u>           | <u>12,076,508</u>               | 4.50%                     |
| Total revenues   | <u>1,353,362,205</u>           | <u>1,276,651,028</u>         | <u>76,711,177</u>               | 6.01%                     |
| <b>OPERATING EXPENSES</b>                              |                                |                              |                                 |                           |
| Salaries and wages                                     | 616,908,168                    | 603,065,671                  | 13,842,497                      | 2.30%                     |
| Fringe benefits  | 240,686,247                    | 217,352,087                  | 23,334,160                      | 10.74%                    |
| Services and supplies                                  | 311,223,168                    | 292,964,888                  | 18,258,280                      | 6.23%                     |
| Utilities  | 37,640,675                     | 34,714,712                   | 2,925,963                       | 8.43%                     |
| Scholarships and fellowships                           | 29,603,510                     | 28,177,473                   | 1,426,037                       | 5.06%                     |
| Depreciation expense                                   | 68,989,749                     | 65,472,872                   | 3,516,877                       | 5.37%                     |
| Total operating expenses                               | <u>1,305,051,517</u>           | <u>1,241,747,703</u>         | <u>63,303,814</u>               | 5.10%                     |
| <b>NONOPERATING EXPENSES</b>                           |                                |                              |                                 |                           |
| Loss on disposal of capital assets                     | 2,258,085                      | 12,488,694                   | (10,230,609)                    | -81.92%                   |
| Interest on capital asset related debt                 | 15,662,101                     | 18,691,120                   | (3,029,019)                     | -16.21%                   |
| Total nonoperating expenses                            | <u>17,920,186</u>              | <u>31,179,814</u>            | <u>(13,259,628)</u>             | -42.53%                   |
| Total expenses   | <u>1,322,971,703</u>           | <u>1,272,927,517</u>         | <u>50,044,186</u>               | 3.93%                     |
| Other revenues   | <u>30,908,575</u>              | <u>19,870,425</u>            | <u>11,038,150</u>               | 55.55%                    |
| Change in net position                                 | <u>61,299,077</u>              | <u>23,593,936</u>            | <u>37,705,141</u>               | 159.81%                   |
| Net position, beginning of year, as originally stated  | 695,370,802                    | 671,776,866                  | 23,593,936                      | 3.51%                     |
| Restatement  | (930,720,307)                  | -                            | (930,720,307)                   | 0.00%                     |
| Net position, beginning of year, as restated           | <u>(235,349,505)</u>           | <u>-</u>                     | <u>(235,349,505)</u>            | 0.00%                     |
| <b>NET POSITION, END OF YEAR</b>                       | <u><b>\$ (174,050,428)</b></u> | <u><b>\$ 695,370,802</b></u> | <u><b>\$ (869,421,230)</b></u>  | <b>-125.03%</b>           |

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**Revenues, Expenses, and Changes in Net Position**  
**For the year ended June 30, 2018**



The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position at the end of the year with the majority of this decrease being associated with the restatement due to the implementation of GASB 75. Some highlights of the information presented on this summary are as follows:

- Operating revenues increased \$64.6 million due to student tuition and fees, contract and grant revenues, and sales and services of auxiliary enterprises, net of the scholarship discounts and allowances.
  - Student tuition and fee revenue, net of the scholarship discounts and allowances, increased by \$31.3 million primarily due to a 3.46% tuition increase for USC Columbia campus and across the system campuses. Additionally, student demand for enrollment at the Columbia campus continued with increases in headcount and FTE enrollments.
  - Nongovernmental contracts and grants includes \$1.2 million increase due to a new grant from the Bill and Melinda Gates Foundation.



**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

- Federal contracts and grants increase includes \$19 million due to the following grants: \$6.4 million from National Institute of Health, \$1.7 million from National Oceanic and Atmospheric Administration, \$6.1 million from US Health and Human Services awarded by SC Department of Health and Human Services, and \$1.3 million from National Institute of Health awarded by SC Department of Health and Human Services, and various smaller grants totaling \$3.5 million.
- Sales and services of auxiliary enterprises are driven by increases in Southeastern Conference (SEC) revenues for the ESPN/SEC television network, postseason athletic revenues due to successful men's football and women's basketball season, and athletic corporate sponsorships.
- Nonoperating revenues increased by \$12.1 million due to increases in state appropriation revenue and Federal grants revenue. State appropriation revenue increased \$4.6 million as a result of increased recurring legislative appropriations. Federal Grant revenue increased by \$7.2 million as a result of increased Federal Pell grants, as the number of Pell eligible students increased.
- Operating expenses excluding depreciation increased \$59.8 million, or 5.08 percent over the prior year due to the following:
  - The majority of the increase, approximately \$37.2 million is due to an increase in personnel and fringe benefits from additional faculty and staff to serve the increased student enrollment, as well as increases in retirement contribution and employer health insurance, a \$17.8 million adjustment to fringe benefits due to the changes related to net pension liability, and a \$4.2 million adjustment to fringe benefits due to the implementation of GASB 75.
  - Services and supplies increased \$18.3 million due to inflationary and enrollment increases, on-going upgrades to campus technology systems, and athletic expenses due to extended postseason competition. Utilities increased \$2.9 million due to operating costs of two new facilities: Student Health Center and Law School and an unusually cold winter. Depreciation expense increased \$3.5 million due to addition of new capital assets including the completion of the Student Health Center.
  - Auxiliary expenses increased due to the operation of an additional health center on campus, housing rent expenses due to increased undergraduate enrollment.

**STATEMENT OF CASH FLOWS**

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into the following five parts.

- Operating Activities - the net cash provided by (used for) the operating activities of the institution.
- Noncapital Financing Activities - the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes.
- Capital and Related Financing Activities - the cash used for the acquisition and construction of capital and related items.
- Investing Activities - the purchases, proceeds, and interest received from investing activities.
- Reconciliation - reconciles the net cash provided by (used for) to the operating income (loss) reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

During the year, various projects on the Columbia campus were in progress including the Student Health Center and Athletic Village renovations for track and field venue and construction of new soccer field (both of which were completed and capitalized), and the Hospitality Management Center at Beaufort and STEM Classroom and Laboratory Building on Columbia campus and several projects addressing deferred maintenance. The Athletics department also had several projects in progress including the Football Operations Building.

The University's indebtedness consists of bonds payable of \$667 million and notes payable of \$97,763. During the current year, \$39.5 million in State Institution bonds were issued to fund the renovation for STEM Classroom and Laboratory Building, \$20.8 million in Higher Education Revenue Refunding bonds and \$46.9 million in Athletic Facilities Revenue Refunding bonds were issued to achieve interest savings.

For more detailed information on capital asset and debt activity please refer to Note 4 – Capital Assets and Note 9 – Bonds and Notes Payable in the Notes to the Financial Statements.

**ECONOMIC OUTLOOK**

The economic position of the University remains robust evidenced by consistent operating revenue growth, strong increases in net tuition and fee revenue, and stable, manageable changes in operating expenditures. The University's financial performance is loosely tied to that of the State of South Carolina (the State) despite significant reductions in state appropriations following the Great Recession for the period 2008 through 2012. For the 2019 fiscal year now underway, additional Education and General funding was provided to all University system campuses to support academic initiatives that promote access and affordability for residents of South Carolina. Total new operating funding is approximately \$8 million and fringe benefit funding of \$3 million is provided to support a portion of state employee retirement contributions and health insurance increases. While state institutions have not benefited from a capital bond bill for higher education since 1999-2000, critical capital project funding of \$21 million is allocated to the USC System for 2019.

The State finished the 2018 fiscal year on a very positive note with full funding of the State's Rainy-Day Fund at 5% of the prior year's General Fund Revenues and fully funded the Capital Reserve Account at 2% of the prior year's General Fund Revenues. The state experienced a revenue surplus of more than \$177 million primarily due to higher than expected individual income tax payments and lower than expected individual refunds. Over the past three fiscal years, the state General Fund revenue collections have averaged 99.48% of the official budgeted revenue estimates. The projected increase in revenue was forecast at 4.6%, but actual growth equaled 6.7%. This increase will lead to an adjusted 2019 fiscal year growth forecast, expected to be 6.4%. South Carolina finished the 2018 fiscal year with the strongest revenue growth in the Southeastern United States.

At the end of the 2018 legislative session, a bill supporting public higher education was introduced. The Higher Education Opportunity Act (HEOA) will be debated during the next legislative season that begins in January 2019. The act is a comprehensive legislative package to restore state investment and create a sustainable funding model for higher education. The act would:

- Develop a new funding model that rewards institutions for educating South Carolinians;
- Resume state investments in assets and infrastructure through capital bond bills or other dedicated sources;
- Remove burdensome and duplicative bureaucratic red tape;
- Increase state investment in need-based aid programs that increases opportunity for students from low-income families.

The HEOA does each of these and in doing so establishes a system that keeps tuition increases in check. This new funding model is important because in 2000 higher education funding was 14.6% of the state budget, by 2008 it had fallen to less than 12% and, despite state revenue having increased by more than \$3 billion since the end of the Great Recession, funding for higher education has continued to decline, representing just 7% of the state budget today. A key finding of a recent Legislative Audit Council report is that since FY2001 funding for higher education has been reduced by half and that the state has underfunded higher education by a cumulative

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

\$4 billion in statutorily required funding over that 17-year period. More specific to USC, the last Mission Resource Requirements estimate conducted by the Commission on Higher Education for FY15, the USC System was receiving approximately \$233 million less per year in state funding than it should have been to carry out its core mission for the state. Furthermore, CHE estimates more than \$2 billion in deferred maintenance needs at colleges and universities across the state. The University expects the recent *Wayfair* decision to be an important factor in the viability of the HEOA.

The University's overall financial position remains strong. The University relies on tuition and fees to support the general operating budget and is aware of State funding support when tuition and fees are set. For the 2019 year, the University of South Carolina's tuition increase was 2.9% marking the eighth year of tuition increases below 4% and notably the lowest tuition increase in twenty years. Tuition increases for the 2019 year are below the Higher Education Price Index (HEPI) yet will not cover the full impact of all inflationary needs and new initiatives. Resident undergraduate tuitions for two other public institutions in the State exceed the tuition rate for the USC Columbia campus. System campus' tuitions are comparable with similar institutions in the State and across the regional peer group.

Demand for enrollment and interest in the University remains strong with more than 30,000 applications received, and a freshman class enrolled at the USC Columbia campus for Fall 2018 of 5,843 students. Preliminary data indicates that this entering class is also the most academically talented in the University's history with an average SAT score of 1276 and an average ACT score of 27.8.

Innovative programs established early in Harris Pastides' now ten-year tenure as president include those that cultivate both student quality and access such as the Gamecock Gateway and the Gamecock Guarantee. The Gamecock Gateway is a program designed as a bridge to enrollment at the University. This one-year residential program is offered by invitation only to students who begin their course work at a local technical college and have access to University programs before transferring in their second year. For the Fall 2018 semester, 410 new students are enrolled and more than 2,000 students have been served by the program since its inception. The Gamecock Guarantee program provides access to the lowest income South Carolinians and has served more than 1,250 students since it began in 2008. The average freshman family income of program participants is \$18,725 and gift aid is more than 92% for those who qualify. These students retain and graduate at a higher rate than the total undergraduate population.

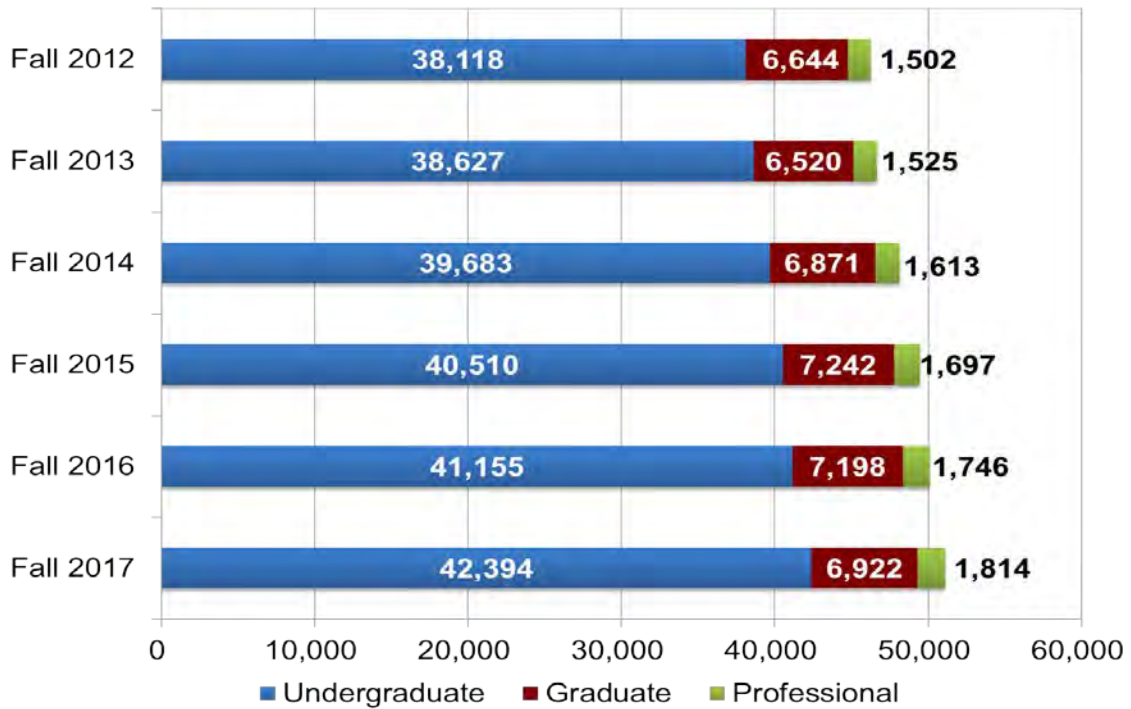
University of South Carolina students from the state are eligible for tuition assistance based on entrance exams, rank in class and GPA. The state funding commitment for merit scholarships remains strong with funding from the South Carolina Education Lottery. Students at the USC campuses annually receive more than \$90 million across the different scholarship programs. Additionally, funding from lottery proceeds supports technology needs at the system comprehensive and Palmetto College campuses.

University fundraising reached \$189 million for 2018 which has the distinction of being the record for single year donations and marks the eleventh consecutive year the University has raised more than \$100 million in private support. Research grant awards were \$258 million in the 2018 fiscal year, a \$4 million increase over the prior year. For the third year, USC hospital partners with Greenville Hospital Systems, Palmetto Health Systems, and the Veterans Administration led the increases in external funding. In conjunction with the University Foundations, the University's endowment increased to \$810 million, a 5% increase over the prior year.

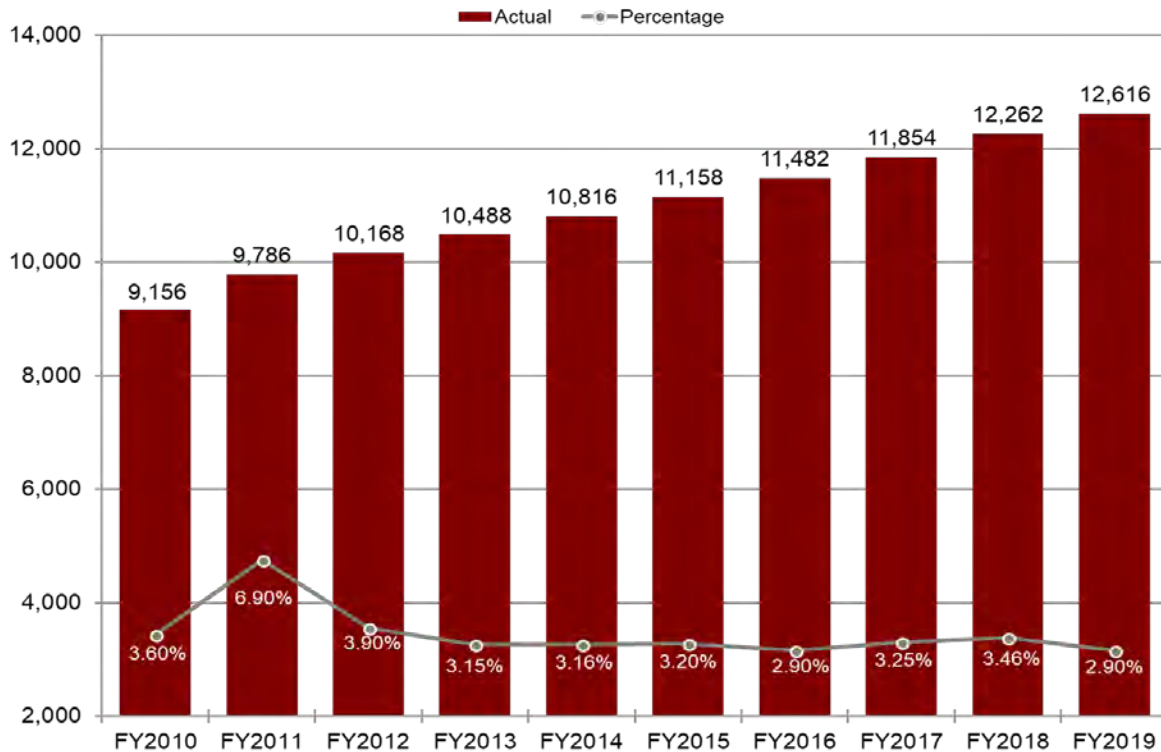
USC had another successful year creating and growing partnerships that drive the knowledge economy of South Carolina. The University was recognized by the National Academy of Inventors and Intellectual Property Owners Association as one of the top patent-producing universities in the world, a distinction it has held for six years in a row. The listing is part of an annual publication based on data obtained from the U.S. Patent and Trademark Office. The Office of Economic Engagement works to connect industry partners with the university's world-class research capabilities. In December 2017, the University and Samsung created the Palmetto Consortium for Home Appliance Innovation, a robust R&D program designed to catalyze innovation, foster public/private collaboration, and nurture the next generation of advanced manufacturing professionals in South Carolina.

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**USC System Headcount Enrollment**



**USC Columbia Resident Undergraduate Tuition & Required Fees**



**UNIVERSITY OF SOUTH CAROLINA**  
**Statement of Net Position**  
**As of June 30, 2018**

**ASSETS**

Current assets:

|  |                    |
|--|--------------------|
| Cash and cash equivalents              | \$ 517,695,664     |
| Restricted - cash and cash equivalents | 214,311,981        |
| Accounts receivable, net               | 88,182,188         |
| Student loans receivable, current      | 3,019              |
| Inventories                            | 2,231,726          |
| Prepaid items                          | 138,007            |
| Funds due from others                  | 29,612,461         |
| Total current assets                   | <u>852,175,046</u> |

Noncurrent assets:

|   |                      |
|---|----------------------|
| Restricted - cash and cash equivalents          | 89,665,992           |
| Investments                                     | 5,126,355            |
| Prepaid items                                   | 1,800,000            |
| Restricted - federal student loans receivable   | 16,790,165           |
| Capital assets, net of accumulated depreciation | 1,408,408,595        |
| Total noncurrent assets                         | <u>1,521,791,107</u> |
| Total assets                                    | <u>2,373,966,153</u> |

**DEFERRED OUTFLOWS OF RESOURCES**

|  |                    |
|--|--------------------|
| Deferred loss on debt refunding                    | 20,770,216         |
| Deferred outflows related to net OPEB liability    | 31,252,594         |
| Deferred outflows related to net pension liability | 161,152,694        |
| Total deferred outflows of resources               | <u>213,175,504</u> |

**LIABILITIES**

Current liabilities:

|  |                    |
|--|--------------------|
| Accounts payable                               | 22,939,834         |
| Retainage payable - current portion            | 1,287,470          |
| Accrued interest payable                       | 5,214,844          |
| Accrued payroll and related liabilities        | 21,702,278         |
| Accrued compensated absences - current portion | 24,602,493         |
| Capital lease obligations - current portion    | 275,902            |
| Bonds and notes payable - current portion      | 30,713,085         |
| Unearned revenues                              | 51,215,694         |
| Deposits                                       | 3,077,200          |
| Other liabilities                              | 557,034            |
| Funds held for others                          | 42,736,793         |
| Total current liabilities                      | <u>204,322,627</u> |

Noncurrent liabilities:

|                              |                      |
|------------------------------|----------------------|
| Accrued compensated absences | 7,348,800            |
| Federal loan liability       | 16,100,065           |
| Capital lease obligations    | 467,331              |
| Bonds and notes payable      | 637,013,493          |
| Net OPEB liability           | 858,692,439          |
| Net pension liability        | 953,145,141          |
| Total noncurrent liabilities | <u>2,472,767,269</u> |
| Total liabilities            | <u>2,677,089,896</u> |

**DEFERRED INFLOWS OF RESOURCES**

|   |                   |
|---|-------------------|
| Deferred inflows related to net OPEB liability    | 81,185,334        |
| Deferred inflows related to net pension liability | 2,916,855         |
| Total deferred inflows of resources               | <u>84,102,189</u> |

**NET POSITION**

|  |                                |
|--|--------------------------------|
| Net investment in capital assets               | 817,715,306                    |
| Restricted for:                                |                                |
| Nonexpendable                                  | 85,424,843                     |
| Expendable                                     |                                |
| Scholarships, research, instruction, and other | 43,675,252                     |
| Loans  | 2,673,526                      |
| Capital projects                               | 81,307,450                     |
| Debt service                                   | 7,559,264                      |
| Unrestricted                                   | <u>(1,212,406,069)</u>         |
| Total net position                             | <u><u>\$ (174,050,428)</u></u> |

**UNIVERSITY OF SOUTH CAROLINA**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the year ended June 30, 2018**

**OPERATING REVENUES**

|  |                      |
|--|----------------------|
| Student tuition and fees (\$36,505,480 pledged for bonds)                    | \$ 863,227,145       |
| Less: scholarship allowance  | (311,005,333)        |
| Federal grants and contracts   | 126,682,945          |
| State grants and contracts   | 119,391,326          |
| Local grants and contracts   | 1,163,024            |
| Nongovernmental grants and contracts   | 42,396,317           |
| Sales and services of educational and other activities                       | 30,077,025           |
| Sales and services of auxiliary enterprises (\$28,503,837 pledged for bonds) | 189,954,650          |
| Less: scholarship allowance  | (3,747,608)          |
| Interest collected on student loans  | 297,225              |
| Other fees (\$3,929,155 pledged for bonds)                                   | 11,569,032           |
| Other operating revenues   | 3,097,774            |
| Total operating revenues   | <u>1,073,103,522</u> |

**OPERATING EXPENSES**

|                              |                      |
|------------------------------|----------------------|
| Salaries and wages           | 616,908,168          |
| Fringe benefits              | 240,686,247          |
| Services and supplies        | 311,223,168          |
| Utilities                    | 37,640,675           |
| Scholarships and fellowships | 29,603,510           |
| Depreciation expense         | 68,989,749           |
| Total operating expenses     | <u>1,305,051,517</u> |
| Operating loss               | <u>(231,947,995)</u> |

**NONOPERATING REVENUES (EXPENSES)**

|  |                    |
|--|--------------------|
| State appropriations                   | 163,370,508        |
| Federal grants                         | 57,364,421         |
| Gifts                                  | 55,519,337         |
| Investment income                      | 4,184,023          |
| Endowment income                       | (179,606)          |
| Loss on disposal of capital assets     | (2,258,085)        |
| Interest on capital asset related debt | (15,662,101)       |
| Net nonoperating revenues              | <u>262,338,497</u> |
| Income before other revenues           | 30,390,502         |
| State capital appropriations           | 271,443            |
| Capital grants and gifts               | 27,070,033         |
| Additions to permanent endowments      | 3,567,099          |
| Change in net position                 | <u>61,299,077</u>  |

**NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED**

|                       |                      |
|-----------------------|----------------------|
| Restatement (Note 16) | <u>(930,720,307)</u> |
|-----------------------|----------------------|

**NET POSITION, BEGINNING OF YEAR, AS RESTATED**

(235,349,505)

**NET POSITION, END OF YEAR**

\$ (174,050,428)

**UNIVERSITY OF SOUTH CAROLINA**  
**Statement of Cash Flows**  
**For the year ended June 30, 2018**

**OPERATING ACTIVITIES**

|  |                      |
|--|----------------------|
| Student tuition and fees                               | \$ 547,933,471       |
| Research grants and contracts                          | 282,971,659          |
| Sales and services of educational and other activities | 30,061,548           |
| Sales and services of auxiliary enterprises            | 184,330,557          |
| Student loans disbursed                                | (2,761,023)          |
| Student loans collected                                | 2,577,504            |
| Interest collected on student loans                    | 297,225              |
| Inflows from federal direct student loans              | 312,503,270          |
| Outflows from federal direct student loans             | (312,025,317)        |
| Payments to employees for services                     | (615,447,090)        |
| Payments to employees for benefits                     | (204,823,313)        |
| Payments to suppliers                                  | (341,282,112)        |
| Payments to students for scholarships and fellowships  | (29,603,510)         |
| Other receipts   | 16,343,800           |
| Inflows from agency funds                              | 54,336,233           |
| Outflows from agency funds                             | (56,733,752)         |
| Net cash used by operating activities                  | <u>(131,320,850)</u> |

**NONCAPITAL FINANCING ACTIVITIES**

|  |                    |
|--|--------------------|
| State appropriations                                 | 163,370,508        |
| Federal grants                                       | 57,364,421         |
| Gifts  | 53,468,879         |
| Additions to permanent endowments                    | 3,567,099          |
| Federal loan liability                               | (517,533)          |
| Net cash provided by noncapital financing activities | <u>277,253,374</u> |

**CAPITAL AND RELATED FINANCING ACTIVITIES**

|   |                     |
|---|---------------------|
| Proceeds from capital debt                                | 125,034,346         |
| State capital appropriations                              | 271,443             |
| Capital grants and gifts                                  | 12,360,881          |
| Purchase and construction of capital assets               | (96,061,733)        |
| Principal paid on capital asset related debt              | (99,605,117)        |
| Interest paid on capital asset related debt               | (34,232,888)        |
| Net cash used by capital and related financing activities | <u>(92,233,068)</u> |

**INVESTING ACTIVITIES**

|  |                   |
|--|-------------------|
| Investment income                                    | 2,365,044         |
| Endowment income                                     | 3,102,933         |
| Net cash provided by investing activities            | <u>5,467,977</u>  |
| Net increase (decrease) in cash and cash equivalents | <u>59,167,433</u> |

|   |                    |
|---|--------------------|
| <b>Cash and cash equivalents, beginning of year</b> | <u>762,506,204</u> |
|---|--------------------|

|   |                              |
|---|------------------------------|
| <b>Cash and cash equivalents, end of year</b> | <u><u>\$ 821,673,637</u></u> |
|---|------------------------------|

**Reconciliation of cash and cash equivalents**

|  |                              |
|--|------------------------------|
| Cash and cash equivalents                          | \$ 517,695,664               |
| Restricted - cash and cash equivalents, current    | 214,311,981                  |
| Restricted - cash and cash equivalents, noncurrent | 89,665,992                   |
|  | <u><u>\$ 821,673,637</u></u> |

**UNIVERSITY OF SOUTH CAROLINA**  
**Statement of Cash Flows**  
**For the year ended June 30, 2018**

**Reconciliation of net operating loss to net cash  
used by operating activities**

|  |                                |
|--|--------------------------------|
| Operating loss   | \$ (231,947,995)               |
| Adjustments to reconcile operating loss to net cash<br>used by operating activities: |                                |
| Depreciation expense   | 68,989,749                     |
| Accrued benefits related to net pension and OPEB liabilities                         | 35,081,228                     |
| Student loans cancelled  | 115,115                        |
| Change in current assets and liabilities:  |                                |
| Accounts receivable, net   | (9,773,152)                    |
| Student loans receivable   | (183,519)                      |
| Inventories  | (62,686)                       |
| Prepaid items  | 716,843                        |
| Accounts payable   | 5,411,674                      |
| Retainage payable - noncapital   | 1,400,778                      |
| Accrued payroll  | 2,048,287                      |
| Accrued benefits   | 781,699                        |
| Accrued compensated absences   | (593,981)                      |
| Unearned revenues  | (1,403,659)                    |
| Deposits   | (39,001)                       |
| Other liabilities  | (6,623)                        |
| Funds held for and due from others   | (1,855,607)                    |
| Net cash used by operating activities  | <u><u>\$ (131,320,850)</u></u> |

**NONCASH TRANSACTIONS**

|  |                              |
|--|------------------------------|
| Gifts of capital assets reducing proceeds of capital grants and<br>gifts   | <u><u>\$ 12,950,164</u></u>  |
| Net change in capital grants and gifts receivable and<br>unearned revenues                                       | <u><u>\$ 1,758,987</u></u>   |
| Loss on disposal of capital assets, net  | <u><u>\$ (2,258,085)</u></u> |
| Capital assets acquired through capital leases   | <u><u>\$ 560,745</u></u>     |
| Change in value of other assets for cash surrender value of life<br>insurance due to transition of Gamecock Club | <u><u>\$ (2,967,806)</u></u> |
| Change in value of investments recognized in endowment and<br>investment income                                  | <u><u>\$ (314,732)</u></u>   |



**UNIVERSITY OF SOUTH CAROLINA**  
**Governmental Discretely Presented Component Units**  
**Statements of Net Position**  
**June 30, 2018**

|  | South Carolina<br>Research<br>Foundation | School of<br>Medicine<br>Educational<br>Trust | Beaufort-Jasper<br>Higher<br>Education<br>Commission | Total                |
|--|--|---|--|----------------------|
| <b>ASSETS</b>                                    |  |   |  |                      |
| Current assets                                   |  |   |  |                      |
| Cash and cash equivalents                        | \$ -                                     | \$ 19,836,992                                 | \$ 5,293,480   | \$ 25,130,472        |
| Restricted cash and cash equivalents             | 153,622,205                              | 14,514,041                                    | 500,000  | 168,636,246          |
| Investments and security deposits                | -  | 9,824,888                                     | 1,495,477  | 11,320,365           |
| Patient and other accounts receivable, net       | 5,097,560                                | 4,192,559                                     | 679,578  | 9,969,697            |
| Prepaid items and deposits                       | 40,684                                   | -   | 99,786   | 140,470              |
| Total current assets                             | 158,760,449                              | 48,368,480                                    | 8,068,321  | 215,197,250          |
| Noncurrent assets                                |  |   |  |                      |
| Capital assets, net of accumulated depreciation  | 63,767                                   | 6,405,300                                     | 50,406,380   | 56,875,447           |
| Total noncurrent assets                          | 63,767                                   | 6,405,300                                     | 50,406,380   | 56,875,447           |
| Total assets                                     | 158,824,216                              | 54,773,780                                    | 58,474,701   | 272,072,697          |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>            |  |   |  |                      |
| Deferred loss on debt refunding                  | -  | -   | 661,735  | 661,735              |
| <b>LIABILITIES</b>                               |  |   |  |                      |
| Current liabilities                              |  |   |  |                      |
| Accounts payable and accrued expenses            | 5,942,846                                | 20,623,203                                    | 415,535  | 26,981,584           |
| Retainage payable                                | -  | -   | 156,013  | 156,013              |
| Accrued compensated balances                     | -  | 277,304                                       | 21,000   | 298,304              |
| Unearned revenue                                 | 152,746,669                              | -   | -  | 152,746,669          |
| Current portion of long term debt                | -  | 3,400,000                                     | 2,270,487  | 5,670,487            |
| Total current liabilities                        | 158,689,515                              | 24,300,507                                    | 2,863,035  | 185,853,057          |
| Noncurrent liabilities                           |  |   |  |                      |
| Noncurrent portion of long term debt             | -  | -   | 38,165,536   | 38,165,536           |
| Total noncurrent liabilities                     | -  | -   | 38,165,536   | 38,165,536           |
| Total liabilities                                | 158,689,515                              | 24,300,507                                    | 41,028,571   | 224,018,593          |
| <b>NET POSITION</b>                              |  |   |  |                      |
| Net investment in capital assets                 | 63,767                                   | 3,005,300                                     | 10,476,079   | 13,545,146           |
| Restricted for capital projects and debt service | -  | -   | 500,000  | 500,000              |
| Unrestricted                                     | 70,934                                   | 27,467,973                                    | 7,131,786  | 34,670,693           |
| Total net position                               | <u>\$ 134,701</u>                        | <u>\$ 30,473,273</u>                          | <u>\$ 18,107,865</u>                                 | <u>\$ 48,715,839</u> |

See Notes to the Financial Statements

**UNIVERSITY OF SOUTH CAROLINA**  
**Governmental Discretely Presented Component Units**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the year ended June 30, 2018**

|  | <b>South Carolina<br/>Research<br/>Foundation</b> | <b>School of<br/>Medicine<br/>Educational<br/>Trust</b> | <b>Beaufort-Jasper<br/>Higher<br/>Education<br/>Commission</b> | <b>Total</b>                |
|--|---|---|--|-----------------------------|
| <b>REVENUES</b>                                    |   |   |  |                             |
| Operating revenues                                 |   |   |  |                             |
| Contracts and grants                               | \$ 89,234,444                                     | \$ 30,597,042   | \$ -   | \$ 119,831,486              |
| Patient charges, net of allowances                 | -   | 19,064,401  | -  | 19,064,401                  |
| Management fees and recoveries                     | 3,752,640   | -   | -  | 3,752,640                   |
| Realized investment income, net                    | -   | 572,491   | -  | 572,491                     |
| Housing  | -   | -   | 6,194,239  | 6,194,239                   |
| Dining   | -   | -   | 2,929,639  | 2,929,639                   |
| Other operating revenues                           | 336,307   | 9,147,541   | 80,530   | 9,564,378                   |
| Total operating revenues                           | <u>93,323,391</u>                                 | <u>59,381,475</u>                                       | <u>9,204,408</u>   | <u>161,909,274</u>          |
| <b>EXPENSES</b>                                    |   |   |  |                             |
| Operating expenses                                 |   |   |  |                             |
| Salaries and administrative expenses               | 769,080   | 38,793,555  | 768,068  | 40,330,703                  |
| Services and supplies                              | 1,405,234   | 21,281,036  | 4,329,174  | 27,015,444                  |
| Research and development direct costs              | 92,552,101  | -   | -  | 92,552,101                  |
| Depreciation and amortization                      | -   | 870,215   | 1,681,283  | 2,551,498                   |
| Total operating expenses                           | <u>94,726,415</u>                                 | <u>60,944,806</u>                                       | <u>6,778,525</u>   | <u>162,449,746</u>          |
| Operating income (loss)                            | (1,403,024)                                       | (1,563,331)   | 2,425,883  | (540,472)                   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>            |   |   |  |                             |
| Private gifts and donations                        | (1,501)   | (12,875,637)  | (1,752,013)  | (14,629,151)                |
| Interest and investment income                     | 1,100,381   | -   | 81,714   | 1,182,095                   |
| Unrealized gain (loss) on investment holdings, net | -   | 288,822   | -  | 288,822                     |
| County appropriations                              | -   | -   | 2,176,720  | 2,176,720                   |
| Interest on capital asset debt                     | -   | -   | (846,304)  | (846,304)                   |
| Proceeds from damages claim                        | -   | -   | 44,417   | 44,417                      |
| Net nonoperating revenues (expenses)               | <u>1,098,880</u>                                  | <u>(12,586,815)</u>                                     | <u>(295,466)</u>   | <u>(11,783,401)</u>         |
| Change in net position                             | (304,144)   | (14,150,146)  | 2,130,417  | (12,323,873)                |
| <b>NET POSITION, BEGINNING OF YEAR</b>             | <u>438,845</u>                                    | <u>44,623,419</u>                                       | <u>15,977,448</u>  | <u>61,039,712</u>           |
| <b>NET POSITION, END OF YEAR</b>                   | <u><u>\$ 134,701</u></u>                          | <u><u>\$ 30,473,273</u></u>                             | <u><u>\$ 18,107,865</u></u>                                    | <u><u>\$ 48,715,839</u></u> |

See Notes to the Financial Statements

**UNIVERSITY OF SOUTH CAROLINA**  
**Non-Governmental Discretely Presented Component Units**  
**Statements of Financial Position**  
**June 30, 2018**

| ASSETS |  | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation | Foundation 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**UNIVERSITY OF SOUTH CAROLINA**  
**Non-Governmental Discretely Presented Component Units**  
**Statements of Activities**  
**For the year ended June 30, 2018**

**CHANGES IN UNRESTRICTED NET ASSETS**

| Revenues, gains and other support          | USC Development Foundation | USC Educational Foundation | USC Business Partnership Foundation | Greater USC Alumni Association | USC Upstate Foundation | USC Upstate Capital Development Foundation | Educational Foundation of USC Lancaster | Gamecock Club of USC | Total         |
|--|----------------------------|----------------------------|-------------------------------------|--------------------------------|------------------------|--|---|----------------------|---------------|
| Contributions                              | \$ 759,231                 | \$ 28,488,808              | \$ 953,247                          | \$ 502,025                     | \$ 276,508             | \$ -                                       | \$ 733,649                              | \$ 12,494,076        | \$ 44,207,544 |
| Investment returns (losses)                | 2,059,991                  | 3,756,331                  | 4,212,037                           | 112,186                        | 3,416                  | 6,505                                      | 87,214                                  | 540,809              | 10,778,489    |
| Net realized and unrealized gains (losses) | (294,250)                  | 9,498,794                  | -                                   | 600,102                        | 92,399                 | -  | -                                       | -                    | 9,897,045     |
| Earned income                              | 19,269,343                 | -                          | 3,520,273                           | 1,232,447                      | -                      | -  | -                                       | -                    | 24,022,063    |
| Program service revenue                    | -                          | -                          | -                                   | 2,482,739                      | -                      | -  | -                                       | -                    | 2,482,739     |
| Other                                      | 670,187                    | 1,015,793                  | -                                   | 209,222                        | 92,862                 | -  | 59,798                                  | 210,203              | 2,258,065     |
| Net assets released from restrictions:     |                            |                            |                                     |                                |                        |  |   |                      |               |
| Transfers                                  | -                          | -                          | 1,172,674                           | -                              | -                      | -  | 340,904                                 | -                    | 1,513,578     |
| Reclassification based on law change       | -                          | -                          | (1,270)                             | -                              | -                      | -  | -                                       | -                    | (1,270)       |
| Satisfaction of program restrictions       | 5,082,446                  | 2,424,698                  | 1,827,410                           | 59,541                         | 726,401                | -  | 74,181                                  | -                    | 10,194,677    |
| Expiration of time restrictions            | -                          | 11,667,359                 | -                                   | -                              | -                      | -  | -                                       | 1,718,919            | 13,386,278    |
| Total revenues, gains and other support    | 27,546,948                 | 56,851,783                 | 11,684,371                          | 5,198,262                      | 1,191,586              | 6,505                                      | 1,295,746                               | 14,964,007           | 118,739,208   |
| Expenses                                   |                            |                            |                                     |                                |                        |  |   |                      |               |
| Scholarships and student assistance        | -                          | 13,060,731                 | 1,512,848                           | 299,475                        | 92,947                 | -  | 188,364                                 | 14,169,751           | 29,324,116    |
| Program services                           | 22,804,660                 | 30,684,590                 | 5,073,865                           | 1,888,763                      | 274,841                | -  | 611,582                                 | 1,339,921            | 62,678,222    |
| Supporting services                        | 4,823,337                  | 4,794,295                  | 527,245                             | 1,027,445                      | 477,035                | -  | 118,594                                 | 75,732               | 11,843,683    |
| Other expenses                             | -                          | -                          | -                                   | 2,218,924                      | 147,810                | 12,898                                     | -                                       | -                    | 2,379,632     |
| Total expenses                             | 27,627,997                 | 48,539,616                 | 7,113,958                           | 5,434,607                      | 992,633                | 12,898                                     | 918,540                                 | 15,585,404           | 106,225,653   |
| Excess revenues over (under) expenses      | (81,049)                   | 8,312,167                  | 4,570,413                           | (236,345)                      | 198,953                | (6,393)                                    | 377,206                                 | (621,397)            | 12,513,555    |
| Interest rate swap fair value adjustment   | 3,285,350                  | -                          | -                                   | -                              | -                      | -  | -                                       | -                    | 3,285,350     |
| Change in unrestricted net assets          | \$ 3,204,301               | \$ 8,312,167               | \$ 4,570,413                        | \$ (236,345)                   | \$ 198,953             | \$ (6,393)                                 | \$ 377,206                              | \$ (621,397)         | \$ 15,798,905 |

**UNIVERSITY OF SOUTH CAROLINA**  
**Non-Governmental Discretely Presented Component Units**  
**Statements of Activities**  
**For the year ended June 30, 2018**

|   | USC<br>Development<br>Foundation | USC<br>Educational<br>Foundation | USC Business<br>Partnership<br>Foundation | Greater USC<br>Alumni<br>Association | USC Upstate<br>Foundation | USC Upstate<br>Capital<br>Development<br>Foundation | Educational<br>Foundation of<br>USC Lancaster | Gamecock<br>Club of USC | Total                 |
|---|----------------------------------|----------------------------------|---|--------------------------------------|---------------------------|---|---|-------------------------|-----------------------|
| <b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b> |                                  |                                  |   |                                      |                           |   |   |                         |                       |
| Contributions                                       | \$ 588,628                       | \$ 1,685,069                     | \$ 1,715,437                              | \$ 367,969                           | \$ 1,086,565              | \$ -  | \$ 11,315                                     | \$ 2,464,813            | \$ 7,919,796          |
| Investment returns (losses)                         | 184,716                          | 3,117,041                        | 4,452,206                                 | -                                    | 184,433                   | -   | 613,775                                       | -                       | 8,552,171             |
| Net realized and unrealized gains (losses)          | -                                | 22,440,387                       | -   | -                                    | 390,291                   | -   | -   | 84,781                  | 22,915,459            |
| Other   | 1,201                            | -                                | -   | 218,018                              | 50,227                    | -   | -   | -                       | 269,446               |
| Net assets released from restrictions:              |                                  |                                  |   |                                      |                           |   |   |                         |                       |
| Transfers   | -                                | -                                | (1,174,524)                               | -                                    | -                         | -   | (384,074)                                     | -                       | (1,558,598)           |
| Reclassification based on law change                | -                                | -                                | 1,270                                     | -                                    | -                         | -   | -   | -                       | 1,270                 |
| Satisfaction of program restrictions                | (5,082,446)                      | (2,502,655)                      | (1,827,410)                               | (59,541)                             | (726,401)                 | -   | (74,181)                                      | -                       | (10,272,634)          |
| Expiration of time restrictions                     | -                                | (15,178,151)                     | -   | -                                    | -                         | -   | -   | (1,718,919)             | (16,897,070)          |
| Change in temporarily restricted net assets         | (4,307,901)                      | 9,561,691                        | 3,166,979                                 | 526,446                              | 985,115                   | -   | 166,835                                       | 830,675                 | 10,929,840            |
| <b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b> |                                  |                                  |   |                                      |                           |   |   |                         |                       |
| Contributions                                       | -                                | 5,897,765                        | 2,858,535                                 | -                                    | 88,906                    | -   | 43,883  | -                       | 8,889,089             |
| Net assets released from restrictions:              |                                  |                                  |   |                                      |                           |   |   |                         |                       |
| Transfers   | -                                | -                                | 1,850                                     | -                                    | -                         | -   | 43,170  | -                       | 45,020                |
| Satisfaction of program restrictions                | -                                | 77,957                           | -   | -                                    | -                         | -   | -   | -                       | 77,957                |
| Expiration of time restrictions                     | -                                | 3,510,792                        | -   | -                                    | -                         | -   | -   | -                       | 3,510,792             |
| Change in permanently restricted net assets         | -                                | 9,486,514                        | 2,860,385                                 | -                                    | 88,906                    | -   | 87,053  | -                       | 12,522,858            |
| Change in net assets                                | (1,103,600)                      | 27,360,372                       | 10,597,777                                | 290,101                              | 1,272,974                 | (6,393)   | 631,094                                       | 209,278                 | 39,251,603            |
| Net change attributable to noncontrolling interest  | (38,092)                         | -                                | -   | -                                    | -                         | -   | -   | -                       | (38,092)              |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                | 35,459,296                       | 498,045,823                      | 97,819,196                                | 12,388,970                           | 10,427,155                | 74,903  | 12,786,849                                    | 13,508,426              | 680,509,618           |
| <b>NET ASSETS, END OF YEAR</b>                      | <b>\$ 34,316,604</b>             | <b>\$ 525,406,195</b>            | <b>\$ 108,416,973</b>                     | <b>\$ 12,679,071</b>                 | <b>\$ 11,700,129</b>      | <b>\$ 68,510</b>                                    | <b>\$ 13,417,943</b>                          | <b>\$ 13,717,704</b>    | <b>\$ 719,723,129</b> |

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations** - The University of South Carolina (the University) is a State-supported, coeducational institution of higher education. The University's primary purpose is to provide undergraduate, graduate, and professional education to students and conduct research and other activities that advance fundamental knowledge.

**Reporting Entity** - The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. GASB Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and classifies reporting requirements for those organizations. Based on these criteria, the financial statements include the University as the primary government and other related entities as discretely presented component units. The University's discretely presented component units are discussed in Note 11.

The University is composed of the Columbia campus, including the Columbia School of Medicine, the Greenville School of Medicine, and seven system campuses. The University is a component unit of the State of South Carolina (the State). As a discretely presented component unit of the State, the University is financially accountable to and fiscally dependent on the State. Its Board of Trustees is appointed by the Governor and/or the General Assembly of the State.

**Financial Statements** - The financial statement presentation for the University meets the requirements of GASB Codification Sections 2100-2900, *Financial Reporting*, and Co5, *Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net position, revenues, expenses and changes in net position and cash flows.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates used include separation of accrued compensated absences between current and noncurrent and depreciation expense. Actual results could differ from those estimates.

**Basis of Accounting** - For financial reporting purposes, the University is considered to be engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The University participates in the State's internal cash management pool, administered by the State Treasurer. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. For credit risk information pertaining to the cash management pool, see the deposits disclosures in Note 2.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The University reports its deposits in the general deposit account at cost and its special deposit accounts at fair value. Interest earned, including interest income, realized gains (losses) and unrealized gains (losses), by the University's special deposit accounts is posted at the end of each month based on the percentage of the University's accumulated daily income receivable to the total income receivable of the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year end based on the percentage of ownership in the pool.

**Investments** - The University accounts for its investments at fair value in accordance with GASB Codification Section 150, *Investments*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment or endowment income in the statement of revenues, expenses and changes in net position.

**Accounts Receivable** - Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal, State, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**Inventories** - Inventories are carried at the lower of cost or market as determined by various methods.

**Noncurrent Cash and Investments** - Noncurrent cash and investments primarily consist of permanently endowed funds, debt service reserve funds and federal student loan funds. These funds are externally restricted and are classified as restricted noncurrent assets in the statement of net position.

**Prepaid Items** - Expenditures for services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. Amounts reported in this asset account consist primarily of maintenance, license and service agreements, and travel reservations and deposits.

**Capital Assets** - Capital assets are recorded at cost at the date of acquisition. Donated capital assets, donated works of art, historical treasures and similar assets are recorded at acquisition value. The University follows capitalization guidelines established by the State. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 3 to 60 years for buildings and improvements and land improvements; 2 to 25 years for machinery, equipment, and vehicles; and 3 to 10 years for intangibles. A full month of depreciation is taken the month the asset is placed in service and no depreciation is taken in the month of disposition.

The University capitalizes as a component of construction in progress interest cost in excess of earnings on invested debt proceeds associated with the capital projects. Therefore, asset values in capital assets include such interest costs. Capitalized interest for fiscal year 2018 was \$6,557,690.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***Unearned Revenues and Deposits*** - Unearned revenues include amounts billed for tuition and fees and certain auxiliary activities (including, but not limited to, athletic ticket sales and parking revenues) prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

***Compensated Absences*** - Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

***Noncurrent Liabilities*** - Noncurrent liabilities include (1) principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; (3) net pension and net OPEB liabilities; and (4) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

***Deferred Outflows of Resources*** - The consumption of net position that is applicable to future reporting periods. The University's deferred outflows of resources consist of (1) deferred loss on debt refunding – the defeasance of previously outstanding bonds resulted in deferred refunding losses. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter; (2) net pension and net OPEB liabilities - decreases in net pension and net OPEB liabilities that were not included in expenses. Also, employer contributions subsequent to the measurement date of the net pension and net OPEB liabilities are reported as deferred outflows of resources.

***Deferred Inflows of Resources*** - The acquisition of net position that is applicable to future reporting periods. The University's deferred inflows of resources consist of increases in the net pension and net OPEB liabilities that were not included in expenses.

***Net Position*** - Components of the University's net position are classified as follows:

***Net investment in capital assets:*** This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

***Restricted - nonexpendable:*** The restricted nonexpendable component of net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

***Restricted - expendable:*** The restricted expendable component of net position includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

***Unrestricted:*** The unrestricted component of net position represents resources derived from student tuition and fees, sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose.

The University policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.



**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Income Taxes** - The University is a political subdivision of the State and, is therefore, generally exempt from federal and state income taxes under applicable federal and state statutes and regulations on related income. Certain activities of the University may be subject to taxation as unrelated business income.

In December Congress passed, and the President signed into law, the Tax Cuts and Jobs Act (TCJA) of 2017. This legislation featured several changes that could ultimately impact both public and private higher education institutions, their benefactors and employees. As of June 30, 2018, the Internal Revenue Service had yet to provide guidance in the form of proposed regulations and/or notices, or amended tax forms regarding the implementation of the TCJA by exempt organizations. Consequently, the University has not accrued a liability for any changes referenced in the TCJA. It is our opinion, that had any liabilities been recorded, they would not have been material to the University's financial statements.

**Classification of Revenues** - The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations.

These revenues include:

- (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students;
- (2) receipts for scholarships including federal grants and contract revenue where the governmental agency has identified the qualified student recipients;
- (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and
- (4) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

**Scholarship Discounts and Allowances** - Student tuition and fee revenues, and certain other revenues from students, are reported with related scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements.

To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**Rebatable Arbitrage** - Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate of return, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Governmental units that issue no more than \$5 million in total of all such debt in a calendar year are exempt from the rebate requirements. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Rebates are payable every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The University had no rebatable arbitrage liability at June 30, 2018.

**Donor-Restricted Endowments** - Endowments are subject to restrictions requiring that the principal be invested and that only the income be used for specific purposes. If a donor has not provided specific timing instructions, state law permits the Board of Trustees to authorize for expenditure the endowment's net appreciation. Any net appreciation that is spent is required to be spent for the purpose for which the endowment was established. The University has a total return policy for authorizing and spending endowment income.

At June 30, 2018, \$17,352,222 of the amount reported as *net position, restricted expendable - scholarships, research, instruction and other*, represented cumulative net appreciation of donor-restricted endowments.

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS**

Most deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds. Certain deposits and investments are deposited with or managed by financial institutions and brokers as restricted by donors.

The following schedule reconciles deposits and investments within the notes to the statement of net position amounts:

|  |                              |
|--|------------------------------|
| <b>Statement of Net Position</b>                       |                              |
| Cash and cash equivalents (current)                    | \$ 517,695,664               |
| Restricted cash and cash equivalents (current) for:    |                              |
| Debt service   | 8,744,701                    |
| Scholarship, research, instruction, and other          | 41,056,095                   |
| University administered loans                          | 181,556                      |
| Capital projects                                       | 164,329,629                  |
|  | <u>214,311,981</u>           |
| Restricted cash and cash equivalents (noncurrent) for: |                              |
| Endowments   | 80,186,235                   |
| Federal student loans                                  | 1,808,549                    |
| Debt service reserves                                  | 7,671,208                    |
|  | <u>89,665,992</u>            |
| Investments (noncurrent)                               | <u>5,126,355</u>             |
| <b>Total</b>   | <b><u>\$ 826,799,992</u></b> |
| <br><b>Notes</b>                                       |                              |
| Cash on hand   | 709,218                      |
| Deposits held by State Treasurer                       | 820,635,269                  |
| Other deposits   | 329,150                      |
| Investments held by State Treasurer                    | 3,733,275                    |
| Other investments                                      | 1,393,080                    |
| <b>Total</b>   | <b><u>\$ 826,799,992</u></b> |

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS, Continued**

***Deposits Held by State Treasurer*** - State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to the investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and the credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. For the fiscal year ending June 30, 2018, \$3,060,081 of the \$820,635,269 identified in the preceding schedule as "Deposits held by State Treasurer" is attributable to unrealized depreciation.

The University has adopted applicable accounting standards for its financial assets and liabilities which clarify that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University utilizes market data or assumptions that market participants would use in pricing the asset or liability. The standards establish a three tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. The University's investments consist of \$997,129 Level 1 assets, \$259,132 Level 2 assets, and \$136,819 Level 3 assets. The investment assets held in the State's cash management pool are all Level 2 assets.

***Other Deposits*** - The University's other deposits at year-end were entirely covered by federal depository insurance or were fully collateralized by securities held by the pledging bank's trust department.

***Investments Held by State Treasurer and Other Investments*** - The University's investments include common stock held by the State Treasurer for the University.

The University has other investments which are managed by financial institutions or brokers as specified by the donors. Purchased investments are valued at fair value. Investments received from donors are valued at the lesser of their fair value on the date promised or received or fair value as of fiscal year-end.

Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investments or collateral securities that are in possession of an outside party.

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Other investments totaling \$1,393,080 were collateralized by securities held by the pledging bank's trust department but not in the University's name.

The net change in unrealized depreciation of investments for the current fiscal year was \$314,732.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 3 - RECEIVABLES**

***Accounts Receivable*** – Accounts receivable consisted of the following:

|                                       |                                    |
|---------------------------------------|------------------------------------|
| Student and other operating           | \$ 19,769,580                      |
| Auxiliary enterprises                 | 12,376,924                         |
| Federal grants and contracts          | 37,775,124                         |
| State grants and contracts            | 9,690,802                          |
| Local grants and contracts            | 308,090                            |
| Non-governmental grants and contracts | 7,813,141                          |
| Accrued interest                      | 2,923,527                          |
|                                       | <hr/> 90,657,188                   |
| Less allowance for doubtful accounts  | <hr/> (2,475,000)                  |
| <b>Accounts receivable, net</b>       | <b><u><u>\$ 88,182,188</u></u></b> |

Allowances for doubtful accounts are based upon actual losses experienced in prior years and evaluations of the current accounts.

***Student Loans Receivable and Federal Loan Liability*** - Student loans made through the Federal Perkins and the Federal Nursing and Health Professions loan programs comprise substantially all of the student loans receivable, and are restricted for such loans. The loan programs provide various repayment options: students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise.

The amount reported as a federal loan liability is the amount of federal contributions and net earnings on the loans that would have to be repaid to the federal government if the University ceased to participate in the programs.

As the University determines that loans are uncollectible, the loans can be assigned to the federal agency administering the loan programs.

***Capital Improvement Bonds Proceeds Receivable*** - This amount represents outstanding state capital improvement and infrastructure bond fund proceeds, and capital reserve fund appropriations that have been expended but not yet drawn.

The State has authorized capital improvement bonds, research infrastructure bonds, university infrastructure bonds and capital reserve fund appropriations to fund improvements and expansion of state facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested once the State authorities have given approval to begin specific projects and project expenditures have been incurred.

At June 30, 2018 the University had no capital improvement bond proceeds receivable.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 4 - CAPITAL ASSETS**

|  | <u>June 30, 2017</u>           | <u>Additions</u>             | <u>Reductions</u>           | <u>June 30, 2018</u>           |
|--|--------------------------------|------------------------------|-----------------------------|--------------------------------|
| Capital assets not being depreciated       |                                |                              |                             |                                |
| Land and improvements                      | \$ 82,275,022                  | \$ 11,770,402                | -                           | \$ 94,045,424                  |
| Construction in progress                   | 74,715,904                     | 77,039,167                   | 55,753,032                  | 96,002,039                     |
| Works of art and historical treasures      | 37,280,017                     | 3,030,646                    | 7,750                       | 40,302,913                     |
| Total capital assets not being depreciated | <u>194,270,943</u>             | <u>91,840,215</u>            | <u>55,760,782</u>           | <u>230,350,376</u>             |
| Other capital assets                       |                                |                              |                             |                                |
| Land improvements                          | 110,421,381                    | 56,785                       | -                           | 110,478,166                    |
| Buildings and improvements                 | 1,722,465,190                  | 60,479,761                   | 21,688                      | 1,782,923,263                  |
| Machinery, equipment and other             | 210,707,295                    | 18,192,201                   | 23,347,455                  | 205,552,041                    |
| Vehicles                                   | 18,757,126                     | 1,344,653                    | 1,825,919                   | 18,275,860                     |
| Intangibles                                | 63,671,392                     | 1,322,578                    | 7,434,874                   | 57,559,096                     |
| Total capital assets at historical cost    | <u>2,126,022,384</u>           | <u>81,395,978</u>            | <u>32,629,936</u>           | <u>2,174,788,426</u>           |
| Less accumulated depreciation for          |                                |                              |                             |                                |
| Land improvements                          | 40,040,745                     | 4,170,317                    | -                           | 44,211,062                     |
| Buildings and improvements                 | 715,274,577                    | 43,070,168                   | 81,201                      | 758,263,544                    |
| Machinery, equipment and other             | 159,947,249                    | 13,280,254                   | 21,357,305                  | 151,870,198                    |
| Vehicles                                   | 12,793,716                     | 1,034,484                    | 1,504,470                   | 12,323,730                     |
| Intangibles                                | 26,234,197                     | 7,434,526                    | 3,607,050                   | 30,061,673                     |
| Total accumulated depreciation             | <u>954,290,484</u>             | <u>68,989,749</u>            | <u>26,550,026</u>           | <u>996,730,207</u>             |
| Other capital assets, net                  | <u>1,171,731,900</u>           | <u>12,406,229</u>            | <u>6,079,910</u>            | <u>1,178,058,219</u>           |
| Capital assets, net                        | <u><b>\$ 1,366,002,843</b></u> | <u><b>\$ 104,246,444</b></u> | <u><b>\$ 61,840,692</b></u> | <u><b>\$ 1,408,408,595</b></u> |

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS**

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publically available through the Retirement Benefits' link on PEBA's website at [www.peba.gov](http://www.peba.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

***Plan Description***

*The South Carolina Retirement System (SCRS)*, a cost sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

*The State Optional Retirement Program (ORP)* is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

*The South Carolina Police Officers Retirement System (PORS)*, a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

***Membership*** - Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

***SCRS***— Generally, all employees of covered employers, such as the University, are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class III member.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (9.00 percent) and a portion of the employer contribution (5.00 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (8.41 percent) and an incidental death benefit contribution (0.15 percent), if applicable, which is retained by SCRS.

PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class III member.

**Benefits-** Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of services, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS – A Class II member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years of credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively.

The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. An incidental death benefit is also available to beneficiaries of active and retired members.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching the age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

**PORS** – A Class II member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of credited service regardless of age. A Class III member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of credited service regardless of age. Both Class II and Class III members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement.

**Contributions** - Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty- year amortization period; and, this increase is not limited to one-half of one percent per year.

Required **employee** contribution rates for fiscal year 2017-2018 are as follows:

**SCRS**

|                    |                                |
|--------------------|--------------------------------|
| Employee Class II  | 9.00% of earnable compensation |
| Employee Class III | 9.00% of earnable compensation |

**ORP**

9.00% of earnable compensation

**PORS**

|                    |                                |
|--------------------|--------------------------------|
| Employee Class II  | 9.75% of earnable compensation |
| Employee Class III | 9.75% of earnable compensation |



**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

Required **employer** contribution rates<sup>1</sup> for fiscal year 2017-2018 are as follows:

**SCRS**

|                                   |                                 |
|-----------------------------------|---------------------------------|
| Employer Class II                 | 13.41% of earnable compensation |
| Employer Class III                | 13.41% of earnable compensation |
| Employer Incidental Death Benefit | 0.15% of earnable compensation  |

**ORP**

|                                    |                                 |
|------------------------------------|---------------------------------|
| Employer Contribution <sup>2</sup> | 13.41% of earnable compensation |
| Employer Incidental Death Benefit  | 0.15% of earnable compensation  |

**PORS**

|                                   |                                 |
|-----------------------------------|---------------------------------|
| Employer Class II                 | 15.84% of earnable compensation |
| Employer Class III                | 15.84% of earnable compensation |
| Employer Incidental Death Benefit | 0.20% of earnable compensation  |
| Employer Accidental Death Program | 0.20% of earnable compensation  |

<sup>1</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

<sup>2</sup> Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Of the ORP employer contribution of 13.41% of earnable compensation, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

For fiscal year 2018, total contributions requirements to the ORP were \$34,590,000 (excluding the surcharge) from the University as employer and approximately \$23,215,000 from its employees as plan members.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

**Teacher and Employee Retention Incentive** - Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program ended effective June 30, 2018 and a member's participation may not continue after this date. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

**Net Pension Liability (NPL)** - At June 30, 2018, the University reported liabilities of \$938,282,339 and \$14,862,802 for its proportionate share of the SCRS and PORS NPL, respectively. The NPLs were measured as of June 30, 2017, and the total pension liabilities (TPL) used to calculate the NPLs were determined by an actuarial valuation as of that date. The University's proportionate shares of the NPLs were based on the University's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the University's proportionate shares of the SCRS and PORS plans were 4.167883% and 0.54253%, respectively.

**Pension Expense** - For the year ended June 30, 2018, the University recognized pension expense of \$99,018,502 and \$1,912,319 for SCRS and PORS, respectively, for a total pension expense of \$100,930,821.

**Deferred Inflows of Resources and Deferred Outflows of Resources** - At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for each of the respective plans:

**South Carolina Retirement System**

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 4,222,046                              | \$ 520,045                               |
| Changes of assumptions   | 54,924,906                                | -  |
| Net difference between projected and actual earnings<br>on pension plan investments                                | 26,191,744                                | -  |
| Changes in proportion and differences between University<br>contributions and proportionate share of contributions | 16,092,506                                | 2,286,615                                |
| University contributions subsequent to the measurement date  | 55,930,269                                | -  |
| Total  | <u>\$ 157,361,471</u>                     | <u>\$ 2,806,660</u>                      |

**Police Officers Retirement System**

|  | <b>Deferred Outflows of<br/>Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 132,534                                | \$ -                                     |
| Changes of assumptions   | 1,410,617                                 | -  |
| Net difference between projected and actual earnings<br>on pension plan investments                                | 529,623                                   | -  |
| Changes in proportion and differences between University<br>contributions and proportionate share of contributions | 443,165                                   | 110,195                                  |
| University contributions subsequent to the measurement date  | 1,275,284                                 | -  |
| Total  | <u>\$ 3,791,223</u>                       | <u>\$ 110,195</u>                        |

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

The \$55,930,269 and \$1,275,284 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2018 will be recognized as a reduction of the NPLs in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

|                     | <b>SCRS</b>          |
|---------------------|----------------------|
| Year ended June 30: |                      |
| 2019                | \$ 29,575,386        |
| 2020                | 44,051,569           |
| 2021                | 31,824,994           |
| 2022                | (6,827,407)          |
|                     | <u>\$ 98,624,542</u> |

|                     | <b>PORS</b>         |
|---------------------|---------------------|
| Year ended June 30: |                     |
| 2019                | \$ 685,421          |
| 2020                | 926,729             |
| 2021                | 683,357             |
| 2022                | 110,237             |
|                     | <u>\$ 2,405,744</u> |

**Actuarial Assumptions and Methods** - Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information were determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.5% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017 for SCRS and PORS.

|                            | <b>SCRS</b>                                    | <b>PORS</b>                                   |
|----------------------------|--|---|
| Actuarial cost method      | Entry age normal                               | Entry age normal                              |
| Investment rate of return  | 7.25%  | 7.25%   |
| Projected salary increases | 3.0% to 12.5% (varies by service) <sup>1</sup> | 3.5% to 9.5% (varies by service) <sup>1</sup> |
| Benefit adjustments        | lesser of 1% or \$500 annually                 | lesser of 1% or \$500 annually                |

<sup>1</sup> Includes inflation at 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the June 30, 2017 TPL are as follows.

| <b>Former Job Class</b>                               | <b>Males</b>                       | <b>Females</b>                       |
|---|------------------------------------|--------------------------------------|
| Educators   | 2016 PRSC Males multiplied by 92%  | 2016 PRSC Females multiplied by 98%  |
| General Employees and Members of the General Assembly | 2016 PRSC Males multiplied by 100% | 2016 PRSC Females multiplied by 111% |
| Public Safety and Firefighters                        | 2016 PRSC Males multiplied by 125% | 2016 PRSC Females multiplied by 111% |

**Net Pension Liability** - The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2017, NPL totals for SCRS and PORS are as follows (amounts expressed in thousands):

| <b>System</b> | <b>Total Pension Liability</b> | <b>Plan Fiduciary Net Position</b> | <b>Employers' Net Pension Liability (Asset)</b> | <b>Plan Fiduciary Net Position as a Percentage of the Total Pension</b> |
|---------------|--------------------------------|------------------------------------|---|---|
| SCRS          | \$48,244,437,494               | \$25,732,829,268                   | \$22,511,608,226                                | 53.3%   |
| PORS          | 7,013,684,001                  | 4,274,123,178                      | 2,739,560,823                                   | 60.9%   |

The TPL is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System's notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

**Long Term Expected Rate of Return** - The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

| <b>Asset Class</b>               | <b>Target<br/>Asset<br/>Allocation</b> | <b>Expected<br/>Arithmetic<br/>Real Rate of<br/>Return</b> | <b>Long-Term<br/>Expected Portfolio<br/>Real Rate of<br/>Return</b> |
|----------------------------------|--|--|---|
| <b>Global Equity</b>             | <b>45.0%</b>                           |  |   |
| Global Public Equity             | 31.0%                                  | 6.72%  | 2.08%   |
| Private Equity                   | 9.0%                                   | 9.60%  | 0.86%   |
| Equity Options Strategies        | 5.0%                                   | 5.91%  | 0.30%   |
| <b>Real Assets</b>               | <b>8.0%</b>                            |  |   |
| Real Estate (Private)            | 5.0%                                   | 4.32%  | 0.22%   |
| Real Estate (REITs)              | 2.0%                                   | 6.33%  | 0.13%   |
| Infrastructure                   | 1.0%                                   | 6.26%  | 0.06%   |
| <b>Opportunistic</b>             | <b>17.0%</b>                           |  |   |
| GTAA/Risk Parity                 | 10.0%                                  | 4.16%  | 0.42%   |
| Hedge Funds (non-PA)             | 4.0%                                   | 3.82%  | 0.15%   |
| Other Opportunistic Strategies   | 3.0%                                   | 4.16%  | 0.12%   |
| <b>Diversified Credit</b>        | <b>18.0%</b>                           |  |   |
| Mixed Credit                     | 6.0%                                   | 3.92%  | 0.24%   |
| Emerging Markets Debt            | 5.0%                                   | 5.01%  | 0.25%   |
| Private Debt                     | 7.0%                                   | 4.37%  | 0.31%   |
| <b>Conservative Fixed Income</b> | <b>12.0%</b>                           |  |   |
| Core Fixed Income                | 10.0%                                  | 1.60%  | 0.16%   |
| Cash and Short Duration (Net)    | 2.0%                                   | 0.92%  | 0.02%   |
| Total Expected Real Return       | 100.0%                                 |  | 5.31%   |
| Inflation for Actuarial Purposes |  |  | 2.25%   |
| Total Expected Nominal Return    |  |  | 7.56%   |

**Discount Rate** - The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

**Sensitivity Analysis** - The following table presents the collective NPL of the University calculated using the discount rate of 7.25 percent, as well as what the University's NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

| <b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b> |                                   |  |                                   |
|---|-----------------------------------|--|-----------------------------------|
| <b>System</b>   | <b>1.00% Decrease<br/>(6.25%)</b> | <b>Current Discount<br/>Rate (7.25%)</b> | <b>1.00% Increase<br/>(8.25%)</b> |
| SCRS  | \$1,209,285,014                   | \$938,282,339                            | \$773,807,468                     |
| PORS  | 20,067,611                        | 14,862,802                               | 10,763,044                        |

**Additional Financial and Actuarial Information** - Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2017 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

**Deferred Compensation Plans** – Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

**Plan Description** - In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

**Funding Policies** - Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.50% of annual covered payroll for 2018 and 5.33% of annual covered payroll for 2017. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$30,160,000 and \$28,528,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2018 and 2017, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal year ended June 30, 2018. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued**

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

**Net OPEB Liability** - At June 30, 2018, the University reported liabilities of \$858,625,715 and \$66,724 for its proportionate share of the SCRHITF and SCLTDITF net OPEB liability, respectively. The OPEB liabilities were measured as of June 30, 2017, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of that date. The University's proportionate shares of the OPEB liabilities were based on the University's long-term share of contributions to the postemployment benefits plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the University's proportionate shares of the SCRHITF and SCLTDITF plans were 6.339136% and 3.680333%, respectively.

**OPEB Expense** - For the year ended June 30, 2018, the University recognized OPEB expense of \$52,259,263 and \$297,862 for SCRHITF and SCLTDITF, respectively, for a total OPEB expense of \$52,557,125.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Post-Employment Benefits Other Than Pensions (OPEB)** – At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**South Carolina Long-Term Disability Insurance Trust Fund**

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ -                                      | \$ -                                     |
| Changes of assumptions   | -   | 6,054                                    |
| Net difference between projected and actual earnings<br>on OPEB plan investments                                   | 32,148                                    | -  |
| Changes in proportion and differences between University<br>contributions and proportionate share of contributions | -   | 1,656                                    |
| University contributions subsequent to the measurement date  | 268,068                                   | -  |
| Total  | <u>\$ 300,216</u>                         | <u>\$ 7,710</u>                          |

**South Carolina Retiree Health Insurance Trust Fund**

|  | <b>Deferred Outflows of<br/>Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ -                                      | \$ 372,648                               |
| Changes of assumptions   | -   | 80,792,687                               |
| Net difference between projected and actual earnings<br>on OPEB plan investments                                   | 1,475,357                                 | -  |
| Changes in proportion and differences between University<br>contributions and proportionate share of contributions | -   | 12,289                                   |
| University contributions subsequent to the measurement date  | 29,477,021                                | -  |
| Total  | <u>\$ 30,952,378</u>                      | <u>\$ 81,177,624</u>                     |

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued**

The net amount of deferred outflows of resources and deferred inflows of resources related to retiree health benefits will be recognized in retiree health benefit expense as follows for the SCRHITF and SCLTDITF plans, respectively:

|                     | <u>SCLTDITF</u>  |
|---------------------|------------------|
| Year ended June 30: |                  |
| 2019                | \$ 7,176         |
| 2020                | 7,176            |
| 2021                | 7,176            |
| 2022                | 7,176            |
| 2023                | (861)            |
| Thereafter          | (3,405)          |
|                     | <u>\$ 24,438</u> |

|                     | <u>SCRHITF</u>         |
|---------------------|------------------------|
| Year ended June 30: |                        |
| 2019                | \$ (12,627,895)        |
| 2020                | (12,627,895)           |
| 2021                | (12,627,895)           |
| 2022                | (12,627,895)           |
| 2023                | (12,996,742)           |
| Thereafter          | (16,193,945)           |
|                     | <u>\$ (79,702,267)</u> |

**Actuarial Assumptions and Methods** - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.



**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued**

The following table provides a summary of the actuarial assumptions and methods used in the June 30, 2016 actuarial valuation for SCRHITF:

**Actuarial Methods and**

**Assumptions:**

|                           |  |
|---------------------------|--|
| Actuarial cost method     | Entry age normal   |
| Inflation                 | 2.25%  |
| Investment rate of return | 4.00%, net of OPEB plan investment expense, including inflation  |
| Single discount rate      | 3.56% as of June 30, 2017  |
| Demographic assumptions   | Based on the experience study performed for the SCRS for the 5-year period ending June 30, 2015  |
| Mortality assumptions     | RP-2000 Mortality (White Collar Adjustment for Educators), projected using Scale AA from Year 2000. Male rates multiplied by 100% for non-educators and 110% for educators. Female rates multiplied by 90% for non-educators and 95% for educators |
| Healthcare trend rate     | Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years  |
| Participation assumptions | 79% participation for retirees who are eligible for Funded Premiums<br>59% participation for retirees who are eligible for Partial Funded Premiums<br>20% participation for retirees who are eligible for Non-Funded Premiums                      |
| Aging factors             | Based on plan specific experience  |
| Expenses                  | The investment return assumption is net of the investment expenses;<br>Administrative expenses related to the health care benefits are included in the age-adjusted claims costs   |
| Roll forward disclosure   | The actuarial valuation was performed as of June 30, 2016. Update procedures were used to roll forward the total OPEB liability to June 30, 2017   |
| Notes                     | There were no benefit changes during the year<br><br>The discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017   |

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued**

The following table provides a summary of the actuarial assumptions and methods used in the June 30, 2016 actuarial valuation for SCLTDITF:

**Actuarial Methods and**

**Assumptions:**

|  |  |
|--|--|
| Actuarial cost method                          | Entry age normal   |
| Inflation                                      | 2.25%  |
| Investment rate of return                      | 4.00%, net of OPEB plan investment expense, including inflation  |
| Single discount rate                           | 3.87% as of June 30, 2017  |
| Salary, termination rates and retirement rates | Based on the experience study performed for the SCRS for the 5-year period ending June 30, 2015  |
| Disability incidence                           | The disability incidence rates used in the LTD valuation are based on the rates developed for the pension plans  |
| Disability recovery                            | For participants in payment, 1987CGDT Group disability<br>For active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years |
| Offsets  | 40% are assumed to be eligible for Social Security benefits<br>Assumed percentage who will be eligible for a pension plan offset varies based on employee group                            |
| Expenses                                       | The investment return assumption is net of the investment expenses;<br>Administrative expenses related to the health care benefits are included in the age-adjusted claims costs           |
| Notes  | There were no benefit changes during the year<br><br>The single discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017.   |

**Discount Rate** - A Single Discount Rate of 3.87% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on OPEB plan investments of 4.00% and a municipal bond rate of 3.56%. The projection of cash flows used to determine this Single Discount Rate assumed that employer contributions will remain \$38.64/year for each covered active employee. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on OPEB plan investments was applied to projected benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

The Single Discount Rate of 3.56% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued**

**Long Term Expected Rate of Return**

| <b>Asset Class</b>           | <b>Target Asset Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> | <b>Allocation-Weighted Long-Term Expected Real Rate of Return</b> |
|------------------------------|--------------------------------|---|---|
| U.S. Domestic Fixed Income   | 80.00%                         | 2.09%   | 1.67%   |
| Cash                         | 20.00%                         | 0.84%   | 0.17%   |
| Total                        | <u>100.00%</u>                 |   | <u>1.84%</u>  |
| Expected Inflation           |                                |   | <u>2.25%</u>  |
| Total Return                 |                                |   | <u>4.09%</u>  |
| Investment Return Assumption |                                |   | 4.00%   |

For the SCRHITF and the SCLTDITF, the annual money-weighted rate of return on the plan investments were 1.36% and 1.00%, respectively.

**Sensitivity Analysis** - The following table presents the University's proportionate share of the SCRHITF net other postemployment benefits (OPEB) liability calculated using the discount rate of 3.56 percent, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current rate:

**Sensitivity of the SCRHITF Net OPEB Liability to Changes in the Discount Rate**

| <b>1% Decrease<br/>(2.56%)</b> | <b>Current Discount Rate<br/>(3.56%)</b> | <b>1% Increase<br/>(4.56%)</b> |
|--------------------------------|--|--------------------------------|
| <u>\$ 1,011,218,423</u>        | <u>\$ 858,625,715</u>                    | <u>\$ 735,598,658</u>          |

**Sensitivity of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

| <b>1% Decrease</b>    | <b>Current Healthcare Cost Trend Rate Assumption</b> | <b>1% Increase</b>      |
|-----------------------|--|-------------------------|
| <u>\$ 704,108,677</u> | <u>\$ 858,625,715</u>                                | <u>\$ 1,058,688,168</u> |

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued**

The following table presents the University's proportionate share of the SCLTDITF net OPEB liability calculated using the discount rate of 3.87 percent, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

| <b>Sensitivity of the SCLTDITF Net OPEB Liability to Changes in the Discount Rate</b> |  |                                |
|---|--|--------------------------------|
| <b>1% Decrease<br/>(2.87%)</b>  | <b>Current Discount Rate<br/>(3.87%)</b> | <b>1% Increase<br/>(4.87%)</b> |
| <hr/> \$ 118,700  | <hr/> \$ 66,724                          | <hr/> \$ 15,704                |

**Restatement for adoption of New Accounting Standard** - The University implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018. The implementation of the statement required the University to record beginning net OPEB liability and the effects on unrestricted net position of contributions made by the University during the measurement period (fiscal year ended June 30, 2017). As a result, ending unrestricted net position for the University for the year ended June 30, 2017 decreased by \$917,211,881. This decrease resulted in the restatement of unrestricted net position. See Note 16 for a summary of the restatement of beginning net position.

**NOTE 7 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, would not be material.

The University had outstanding commitments under construction contracts of \$41,054,805 for capital and \$441,233 for noncapital projects. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

**NOTE 8 - LEASE OBLIGATIONS**

The future minimum lease payments for noncancelable operating leases are as follows:

|                                     |                             |
|-------------------------------------|-----------------------------|
| 2019                                | \$ 9,828,044                |
| 2020                                | 7,658,531                   |
| 2021                                | 3,587,073                   |
| 2022                                | 3,430,708                   |
| 2023                                | 3,039,236                   |
| 2024-2028                           | 13,499,262                  |
| 2029-2033                           | 7,504,242                   |
| 2034-2038                           | 7,749,217                   |
| Thereafter                          | 1,531,167                   |
| <b>Total minimum lease payments</b> | <b><u>\$ 57,827,480</u></b> |

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 8 - LEASE OBLIGATIONS, Continued**

The preceding payment schedule relates to noncancelable operating leases having remaining terms of more than one year and expiring in various fiscal years from 2019-2039. These noncancelable operating leases include agreements between the University and third party vendors as well as other State agencies and related parties. Certain operating leases provide for renewal options at their fair rental value at the end of their lease term. Total real property operating lease payments were \$12,369,944 for fiscal year 2018. Of this amount, \$274,664 was paid to other State agencies. In the current fiscal year, the University incurred expenses of \$845,695 for office copier contingent rentals on a cost per copy basis.

The University also has a 35 year operating lease agreement for two city blocks of parking surrounding the Colonial Life Arena for \$100,000 per year. In accordance with the terms of the lease, in fiscal year 2003, the University paid \$3,500,000, representing rent due for the entire term. As of June 30, 2018, the remaining unamortized prepaid balance related to the parking lease agreement was \$1,900,000 with \$100,000 reflected as a current asset.

***Capital Leases***

Buildings, land, and equipment held by the University under capital leases as of June 30, 2018:

|           | <u>Cost</u> | <u>Accumulated<br/>Depreciation</u> | <u>Net</u> |
|-----------|-------------|-------------------------------------|------------|
| Buildings | \$ 393,703  | \$ 83,662                           | \$ 310,041 |
| Land      | 245,000     | -                                   | 245,000    |
| Equipment | 947,446     | 374,579                             | 572,867    |

The future minimum capital lease obligations and the net present value of the minimum capital lease payments are as follows:

|  |                          |
|--|--------------------------|
| 2019   | \$ 311,190               |
| 2020   | 173,602                  |
| 2021   | 134,602                  |
| 2022   | 124,681                  |
| 2023   | 87,311                   |
| Total minimum lease payments                           | 831,386                  |
| Less amount representing interest                      | (88,153)                 |
| <b>Present value of minimum lease payments by year</b> | <b><u>\$ 743,233</u></b> |

Capital lease obligations consist of:

Agreement with USC Upstate Foundation for land and building, dated February 2010, payable in monthly principal payments of \$6,500, with a fixed interest rate of 4.11%. This agreement expires in December 2019. \$ 113,279

Agreement with Hewlett Packard payable in monthly principal payments of \$9,859 with a fixed interest rate of 3.05%. This agreement expires in April 2019. 97,225

Agreements with Presidio for copiers payable in monthly principal payments ranging from \$13 to \$247 with fixed interest rates ranging from 5.76% to 6.76%. The agreements expire September 2023. 532,729

|   |                          |
|---|--------------------------|
| <b>Present value of minimum lease payments by lease</b> | <b><u>\$ 743,233</u></b> |
|---|--------------------------|

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 9 - BONDS AND NOTES PAYABLE**

**Bonds Payable** – Bonds payable consisted of the following:

|                                      | Original<br>Debt | Interest Rates<br>(Outstanding) | Maturity<br>Dates | June 30, 2018<br>Balance | Debt Retired in<br>Fiscal Year 2018 |
|--------------------------------------|------------------|---------------------------------|-------------------|--------------------------|-------------------------------------|
| <b>State Institution Bonds</b>       |                  |                                 |                   |                          |                                     |
| Series 2009B                         | \$ 8,550,000     | 3.5% to 5%                      | 04/01/29          | \$ 5,330,000             | \$ 385,000                          |
| Series 2011A Refunding               | 20,085,000       | 3.5% to 5%                      | 03/01/22          | 8,815,000                | 1,990,000                           |
| Series 2011E                         | 23,955,000       | 4.125% to 5%                    | 03/01/31          | 17,650,000               | 975,000                             |
| Series 2012A Refunding               | 21,475,000       | 2.5% to 5%                      | 04/01/24          | 7,865,000                | 1,255,000                           |
| Series 2014A                         | 15,190,000       | 3% to 5%                        | 04/01/34          | 13,040,000               | 545,000                             |
| Series 2015A                         | 56,725,000       | 2% to 5%                        | 04/01/35          | 50,730,000               | 1,975,000                           |
| Series 2015B Refunding               | 30,625,000       | 5%                              | 04/01/26          | 25,505,000               | 2,600,000                           |
| Series 2017B                         | 39,450,000       | 2.625% to 5%                    | 04/01/37          | 38,020,000               | 1,430,000                           |
| <b>Total State Institution Bonds</b> |                  |                                 |                   | <b>166,955,000</b>       | <b>11,155,000</b>                   |
| <b>Revenue Bonds</b>                 |                  |                                 |                   |                          |                                     |
| Series 2008A                         | 64,335,000       |                                 | 06/01/38          | -                        | 1,535,000                           |
| Series 2008A Athletic                | 27,395,000       |                                 | 05/01/38          | -                        | 705,000                             |
| Series 2009A                         | 28,920,000       |                                 | 06/01/39          | -                        | 675,000                             |
| Series 2010A                         | 28,510,000       | 4%                              | 06/01/40          | 1,365,000                | 23,230,000                          |
| Series 2010A Athletic                | 65,855,000       | 4% to 5%                        | 05/01/40          | 11,950,000               | 45,875,000                          |
| Series 2010B Refunding Athletic      | 12,840,000       | 4% to 5%                        | 05/01/27          | 2,680,000                | 6,820,000                           |
| Series 2012                          | 61,945,000       | 3.5% to 5%                      | 05/01/35          | 55,920,000               | 2,080,000                           |
| Series 2012 Refunding                | 28,110,000       | 4% to 5%                        | 05/01/34          | 21,755,000               | 1,370,000                           |
| Series 2012A Athletic                | 13,580,000       | 2.5% to 4%                      | 05/01/42          | 11,850,000               | 310,000                             |
| Series 2012B Refunding Athletic      | 6,350,000        | 3.5%                            | 05/01/32          | 6,350,000                | -                                   |
| Series 2013                          | 37,185,000       | 3% to 5%                        | 05/01/43          | 33,395,000               | 915,000                             |
| Series 2015 Athletic                 | 38,270,000       | 3% to 5%                        | 05/01/45          | 36,325,000               | 690,000                             |
| Series 2015                          | 48,175,000       | 3.5% to 5%                      | 05/01/35          | 41,445,000               | 3,315,000                           |
| Series 2016 Refunding                | 67,820,000       | 4% to 5%                        | 05/01/39          | 67,820,000               | -                                   |
| Series 2016A Refunding Athletic      | 22,400,000       | 4% to 5%                        | 05/01/38          | 22,400,000               | -                                   |
| Series 2017A Athletic                | 40,325,000       | 4% to 5%                        | 05/01/47          | 39,655,000               | 670,000                             |
| Series 2017B Refunding Athletic      | 46,990,000       | 5%                              | 05/01/40          | 46,990,000               | -                                   |
| Series 2017A Refunding Housing       | 20,840,000       | 5%                              | 05/01/40          | 20,840,000               | -                                   |
| <b>Total Revenue Bonds</b>           |                  |                                 |                   | <b>420,740,000</b>       | <b>88,190,000</b>                   |
| Subtotal bonds payable               |                  |                                 |                   | 587,695,000              | 99,345,000                          |
| Plus unamortized bond premiums       |                  |                                 |                   | 80,114,415               | 5,467,576                           |
| Less unamortized bond discounts      |                  |                                 |                   | (180,600)                | (361,490)                           |
| <b>Total Bonds Payable</b>           |                  |                                 |                   | <b>\$ 667,628,815</b>    | <b>\$ 104,451,086</b>               |

State institution bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged for the payment of principal and interest on state institution bonds. The legal debt margin for state institution bonds shall not exceed ninety percent of tuition fees received from the preceding fiscal year for the University as a whole.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 9 - BONDS AND NOTES PAYABLE, Continued**

Tuition fees used to calculate the University's debt service limit on bond indebtedness for the preceding year were \$32,252,569, which results in a legal annual debt service limit at June 30, 2018 of \$29,027,312. The annual debt service payments for the fiscal year were \$18,451,496. Tuition revenue pledged in fiscal year 2018 was \$34,643,324 for state institution bonds.

General revenue bonds are payable from a pledge of net revenues derived by the University from the operation of the facilities constructed with the bond proceeds. General revenue bonds may also be payable from a pledge of additional funds. Additional funds are all available funds and academic fees of the University which are not (i) otherwise designated or restricted; (ii) funds derived from appropriations; and (iii) tuition funds pledged to the repayment of state institution bonds. Pledged net revenues for general revenue bonds in fiscal year 2018 were \$22,361,302.

Athletic facilities revenue bonds are payable from a pledge of net revenues of the athletic department, gross receipts of a special admission fee to facilities and a special student fee as authorized by the governing board. Pledged revenues for athletic facilities revenue bonds in fiscal year 2018 were \$1,862,156 of special student fees, \$3,929,155 of special admission fees and \$6,142,535 of athletic department revenues.

The University believes it is in compliance with all related bond covenants of its issued debt.

On August 24, 2017, the University issued \$39,450,000 in State Institution bonds for renovations to the former law school for classroom and lab upgrades. The bonds have coupons ranging from 2.625% to 5.0% with a maturity date of April 1, 2037 callable on October 1, 2027.

On September 14, 2017, on behalf of the Athletic Department, the University issued \$46,990,000 in Athletic Facilities Revenue Refunding bonds to partially refund Series 2010A and Series 2010B Athletic Facilities Revenue bonds with a final maturity of May 1, 2040 callable on May 1, 2027. The refunding transaction resulted in a deferred loss on refunding of \$5,495,673, and aggregate debt payment reduction of \$6,454,510 over the next 22 years and an economic gain of \$5,132,298.

On September 14, 2017 the University issued \$20,840,000 in Higher Education Revenue Refunding bonds to partially refund Series 2010A Revenue bonds with a maturity date of May 1, 2040 callable on May 1, 2027. The refunding transaction resulted in a deferred loss on refunding of \$2,355,704, an aggregate debt payment reduction of \$3,089,586 over the next 22 years and an economic gain of \$2,352,937.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 9 - BONDS AND NOTES PAYABLE, Continued**

The scheduled maturities of the University bonds payable by type are as follows:

|                                | <u>Principal</u>             | <u>Interest</u>              | <u>Total</u>                 |
|--------------------------------|------------------------------|------------------------------|------------------------------|
| <b>State Institution Bonds</b> |                              |                              |                              |
| 2019                           | \$ 11,390,000                | \$ 7,178,569                 | \$ 18,568,569                |
| 2020                           | 11,940,000                   | 6,614,994                    | 18,554,994                   |
| 2021                           | 12,405,000                   | 6,119,969                    | 18,524,969                   |
| 2022                           | 13,010,000                   | 5,503,969                    | 18,513,969                   |
| 2023                           | 11,235,000                   | 4,857,869                    | 16,092,869                   |
| 2024-2028                      | 48,365,000                   | 16,579,313                   | 64,944,313                   |
| 2029-2033                      | 39,285,000                   | 6,912,219                    | 46,197,219                   |
| 2034-2037                      | 19,325,000                   | 1,226,087                    | 20,551,087                   |
| <b>Total</b>                   | <b><u>\$ 166,955,000</u></b> | <b><u>\$ 54,992,989</u></b>  | <b><u>\$ 221,947,989</u></b> |
|                                | <u>Principal</u>             | <u>Interest</u>              | <u>Total</u>                 |
| <b>Revenue Bonds</b>           |                              |                              |                              |
| 2019                           | \$ 14,990,000                | \$ 19,917,744                | \$ 34,907,744                |
| 2020                           | 15,700,000                   | 19,214,144                   | 34,914,144                   |
| 2021                           | 15,840,000                   | 18,439,444                   | 34,279,444                   |
| 2022                           | 16,625,000                   | 17,660,094                   | 34,285,094                   |
| 2023                           | 17,435,000                   | 16,841,844                   | 34,276,844                   |
| 2024-2028                      | 94,385,000                   | 70,770,919                   | 165,155,919                  |
| 2029-2033                      | 102,570,000                  | 47,410,744                   | 149,980,744                  |
| 2034-2038                      | 89,030,000                   | 23,699,388                   | 112,729,388                  |
| 2039-2043                      | 40,545,000                   | 7,333,375                    | 47,878,375                   |
| 2044-2047                      | 13,620,000                   | 1,210,200                    | 14,830,200                   |
| <b>Total</b>                   | <b><u>\$ 420,740,000</u></b> | <b><u>\$ 242,497,896</u></b> | <b><u>\$ 663,237,896</u></b> |

**Notes Payable** – Notes payable consisted of the following:

Note payable to acquire energy savings equipment and lighting retrofit, dated December 2008, payable in annual installments of \$51,251 subject to amount drawn at any given time, matures April 2020, fixed interest rate of 3.00%.

\$ 97,763

The scheduled maturities of the notes payable are as follows:

|              | <u>Principal</u>        | <u>Interest</u>        | <u>Total</u>             |
|--------------|-------------------------|------------------------|--------------------------|
| 2019         | \$ 48,317               | \$ 2,933               | \$ 51,250                |
| 2020         | 49,446                  | 1,804                  | 51,250                   |
| <b>Total</b> | <b><u>\$ 97,763</u></b> | <b><u>\$ 4,737</u></b> | <b><u>\$ 102,500</u></b> |



**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 10 - LONG-TERM LIABILITIES**

Long-term liability activity was as follows:

|                                      | <u>June 30, 2017</u>  | <u>Additions</u>      | <u>Reductions</u>     | <u>June 30, 2018</u>  | <u>Due Within<br/>One Year</u> | <u>Long-Term<br/>Portion</u> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------------|------------------------------|
| Bonds Payable:                       |                       |                       |                       |                       |                                |                              |
| State Institution Bonds              | \$ 138,660,000        | \$ 39,450,000         | \$ 11,155,000         | \$ 166,955,000        | \$ 11,390,000                  | \$ 155,565,000               |
| Revenue Bonds                        | 441,100,000           | 67,830,000            | 88,190,000            | 420,740,000           | 14,990,000                     | 405,750,000                  |
| Subtotal Bonds Payable               | 579,760,000           | 107,280,000           | 99,345,000            | 587,695,000           | 26,380,000                     | 561,315,000                  |
| Unamortized Bond Premiums            | 67,827,645            | 17,754,346            | 5,467,576             | 80,114,415            | 4,297,668                      | 75,816,747                   |
| Unamortized Bond Discounts           | (542,090)             | -                     | (361,490)             | (180,600)             | (12,900)                       | (167,700)                    |
| Total Bonds Payable                  | 647,045,555           | 125,034,346           | 104,451,086           | 667,628,815           | 30,664,768                     | 636,964,047                  |
| Notes Payable                        | 144,674               | -                     | 46,911                | 97,763                | 48,317                         | 49,446                       |
| <b>Total Bonds and Notes Payable</b> | <b>\$ 647,190,229</b> | <b>\$ 125,034,346</b> | <b>\$ 104,497,997</b> | <b>\$ 667,726,578</b> | <b>\$ 30,713,085</b>           | <b>\$ 637,013,493</b>        |
| Capital Lease Obligations            | \$ 395,694            | \$ 560,745            | \$ 213,206            | \$ 743,233            | \$ 275,902                     | \$ 467,331                   |
| Accrued Compensated Absences         | \$ 32,545,275         | \$ 28,425,659         | \$ 29,019,641         | \$ 31,951,293         | \$ 24,602,493                  | \$ 7,348,800                 |

Additional information regarding bonds and notes payable is included in Note 9.

**NOTE 11 - COMPONENT UNITS**

Certain separately chartered legal entities whose activities are related to those of the University exist primarily to provide financial assistance and other support to the University and its educational program. They include the South Carolina Research Foundation, the University of South Carolina School of Medicine Educational Trust (the Trust), and the Beaufort-Jasper Higher Education Commission, all of which are considered governmental component units. In addition, the University of South Carolina Development Foundation; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the Greater University of South Carolina Alumni Association; the University of South Carolina Upstate Foundation; the University of South Carolina Upstate Capital Development Foundation; the Educational Foundation of the University of South Carolina – Lancaster; and the Gamecock Club of the University of South Carolina are considered nongovernmental component units because they do not meet the definition of a governmental entity. Because the activities and resources of these entities are significant, provide a direct benefit, and are accessible to the University, they are considered component units of the University and are discretely presented in the University's financial statements accordingly as governmental or non-governmental reporting entities.

Following is a more detailed discussion of each of these entities and a summary of significant transactions (if any) between these entities and the University.

**Governmental Discretely Presented Component Units**

The South Carolina Research Foundation (the Foundation) operates as a supporting organization of the University of South Carolina's teaching, research, and public service missions. It will support research programs of clear relevance to the state and nation. The research areas focus on the environment, new technologies, economic development, health sciences and social issues. The Foundation receives research funding from private sources and also competes for federal funds. The University receives funds for research from the Foundation. In 2013, University and Research Foundation management agreed to administrative process changes that allowed the University to resume its historic role of directly processing new federal grant and contract transactions. The University expects that over the next several years this decision will result in the University processing all federal grant and contract transactions and an equal reduction in the federal grant activities processed by the Research Foundation. Complete financial statements for the Foundation can be obtained at The South Carolina Research Foundation, 202 Osborne Building, USC, Columbia, SC 29208, Attention: Kelly Epting.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 11 - COMPONENT UNITS, Continued**

The University of South Carolina School of Medicine Educational Trust (the Trust) is organized and operates exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the University of South Carolina School of Medicine. The Trust is governed by a board consisting of the Dean of the University's School of Medicine, the Chairman of each of the twelve departments of the School of Medicine, as well as other employees of the University School of Medicine. The Trust is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described under Section 501(c)(3).

The Trust is involved in continuing discussions regarding the integration of patient operations with its primary affiliated hospital/healthcare partner, Palmetto Health. During fiscal year 2015, a new 501(c)(3) entity was formed. The two members are Palmetto Health and the Trust. The entity's current name is Palmetto Health University of South Carolina Medical Group ("PHUSCMG"). An announcement was made in September 2018 that Greenville Health System, Palmetto Health and Palmetto Health-USC Medical Group along with their existing brands will be retired and will move to the new name and brand - Prisma Health. This will occur in early 2019. Formal Management Service Agreements and other operating agreements and documents were finalized and operational during fiscal year 2017. PHUSCMG provides healthcare services to substantially the same patient and demographic populations as before. Complete financial statements for the Trust can be obtained at the University of South Carolina School of Medicine Educational Trust, Post Office Box 413, Columbia, South Carolina 29202, Attention: Jeff Perkins.

The Beaufort-Jasper Higher Education Commission (the Commission) was created in 1994 by the General Assembly of South Carolina. The Commission's primary purpose is to provide support and encouragement for all undertakings to improve the higher education opportunities for the benefit of the citizens and residents of Beaufort and Jasper Counties. The Commission serves as the liaison between the University of South Carolina Beaufort campus (USC Beaufort) and the Beaufort and Jasper communities as well as the oversight committee for campus residence halls and the student center including the construction and management of those facilities. Complete financial statements for the Commission can be obtained at 1 University Boulevard, Bluffton, SC 29909.

**Non-Governmental Discretely Presented Component Units**

The University of South Carolina Development Foundation (the Foundation) operates exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the University including, but not limited to, promoting, encouraging, and aiding scientific research and investigation at the University. The University receives funds for rent, the lease of real property and reimbursement for computer and personnel services provided by the University from the Foundation. The University also pays the Foundation for the lease of real property and for research programs. As of June 30, 2018 the Foundation held \$26,647,432 in endowment funds for the University. Complete financial statements for the Foundation can be obtained at USC Foundations, 1027 Barnwell St. Columbia, SC 29208, Attention: Jason Caskey.

The University of South Carolina Educational Foundation (the Foundation) operates for the benefit and support of the University of South Carolina. Its objectives include the establishment and implementation of long-range fundraising programs to assist in the expansion and improvement of the educational functions of the University. The University receives from the Foundation funds for scholarships, awards and stipends to students, faculty and administrative staff; library collections; reimbursement for computer and personnel services provided by the University. As of June 30, 2018 the Foundation held \$391,200,945 in endowment funds for the University. Complete financial statements for the Foundation can be obtained at USC Foundations, 1027 Barnwell St. Columbia, SC 29208, Attention: Jason Caskey.

The University of South Carolina Business Partnership Foundation (the Foundation) was formed to bring together representatives of business and government to assist in conducting conferences, seminars, and management programs to further the education, development and effectiveness of management personnel in the State and region. The University receives funds for scholarships, reimbursement of personnel services, fringe benefits and other administrative costs from the Foundation. Complete financial statements for the Foundation can be obtained at University of South Carolina Business Partnership Foundation 1014 Green Street, Columbia, SC 29208, Attention: Jean Duke.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 11 - COMPONENT UNITS, Continued**

The Greater University of South Carolina Alumni Association (the Association) was formed to serve the students after they graduate. The Association's objectives are providing job placement and counseling, communicating the aspirations and needs of the University, helping graduates keep in touch with one another, and providing programs of continuing education. The University receives funds for scholarships from the Association and provides office and meeting space at no cost to the Association. Complete financial statements for the Association can be obtained at 900 Senate Street, Columbia, SC 29201, Attention: Elizabeth Muth.

The USC Upstate Foundation (the Foundation) was established to accept gifts for charitable, benevolent, cultural, and education purposes and to provide student housing and other real property for the exclusive use and benefit of the University of South Carolina Upstate. The University receives funds from the Foundation for scholarships and reimbursement for personnel and student housing services provided by the University. Complete financial statements for the Foundation can be obtained at USC Upstate Foundation, 800 University Way, Spartanburg, SC 29303.

The USC Upstate Capital Development Foundation (the Foundation) was established to accept real property donated to the University of South Carolina Upstate, serve as the purchasing agent for property on behalf of USC Upstate that is integral to the growth of the campus, and to manage property under leasing agreements to the University. Complete financial statements for the Foundation can be obtained at USC Upstate Capital Development Foundation, 800 University Way, Spartanburg, SC 29303.

The Educational Foundation of the University of South Carolina - Lancaster (the Foundation) operates for the benefit and support of the University of South Carolina at Lancaster. Its objectives include the establishment and implementation of long-range fund-raising programs to assist in the expansion and improvement of the educational functions of the University. The University receives from the Foundation funds for scholarships, rent, and reimbursement for computer and personnel services provided by the University. Complete financial statements for the Foundation can be obtained at PO Box 809, Lancaster, SC 29721.

The Gamecock Club of the University of South Carolina (the Gamecock Club) was established exclusively to support University Athletics at the Columbia Campus. Its objectives include the establishment and implementation of long-range fund-raising programs to support athletic scholarships. In fiscal year 2017 the Controller's Office along with the Columbia Athletic Department made the decision to take the necessary steps to transition the Gamecock Club from the Athletic Department and to treat the Gamecock Club as a discretely presented component unit in accordance with GASB standards. As a result, ending restricted net position for the University for the year ended June 30, 2017 decreased by \$13,508,426. See Note 16 for a summary of the total restatement of beginning net position. The University receives scholarship funds from the Gamecock Club for student athletes. Complete financial statements for the Gamecock Club can be obtained at 1304 Heyward St., Columbia, SC 29208, Attn: Jeff Tallant.

Various transactions occur between the University and the component units. A summary of those transactions follows:

**Funds Received from Component Units**

|   |                             |
|---|-----------------------------|
| South Carolina Research Foundation          | \$ 13,711,636               |
| USC School of Medicine Educational Trust    | 1,664,604                   |
| Beaufort-Jasper Higher Education Commission | 1,752,013                   |
| USC Development Foundation                  | 6,303,148                   |
| USC Educational Foundation                  | 31,985,365                  |
| USC Business Partnership Foundation         | 1,583,503                   |
| Gamecock Club                               | 14,169,751                  |
| Greater USC Alumni Association              | 169,458                     |
| USC Upstate Foundation                      | 167,358                     |
| Educational Foundation of USC Lancaster     | 209,140                     |
| <b>Total</b>                                | <b><u>\$ 71,715,976</u></b> |

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 11 - COMPONENT UNITS, Continued**

The majority of the South Carolina Research Foundation revenues are recorded by the University as federal grants and contracts revenues and the majority of revenues from the other component units are recorded as nonoperating gifts revenue. Federal grants and contracts receivables include \$4,667,046 due from the South Carolina Research Foundation at June 30, 2018.

**Funds Paid to Component Units**

|   |                            |
|---|----------------------------|
| South Carolina Research Foundation          | \$ 60,291                  |
| Beaufort-Jasper Higher Education Commission | 5,150,500                  |
| USC Development Foundation                  | 1,358,967                  |
| USC Educational Foundation                  | 441,324                    |
| USC Business Partnership Foundation         | 34,593                     |
| Greater USC Alumni Association              | 2,405,007                  |
| USC Upstate Foundation                      | 12,000                     |
| USC Upstate Capital Foundation              | 78,000                     |
| Educational Foundation of USC Lancaster     | 21,747                     |
| <b>Total</b>                                | <b><u>\$ 9,562,429</u></b> |

**NOTE 12 - RELATED PARTIES**

There are several separately chartered legal entities which do not meet the criteria established by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - An Amendment of GASB Statement No. 14*, to be treated as component units of the University. These entities are the local higher education commissions. While they are not financially accountable to the University, these organizations exist primarily to provide financial assistance and other support to the University system campuses and the educational programs. The activities of these entities are not included in the University's financial statements. However, the University's statements for the year ended June 30, 2018 include significant transactions between them and the University which are as follows:

***Aiken County Commission for Higher Education Commission*** - The Aiken County Commission for Higher Education (the Commission) was created under Act 103 of the 1961 Session of the General Assembly of South Carolina. The Commission is composed of eight members who are appointed by the Governor on the recommendation of a majority of the Aiken County Legislative Delegation. In addition, the Superintendent of Education for Aiken County and the Chair of the Aiken Commission for Technical Education are ex-officio members of the Commission. The Commission's purpose is the establishment and maintenance of an institution of higher education in Aiken County and it is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and generally, to take such actions in its name necessary to secure for Aiken County and adjacent areas the necessary educational facilities to provide higher education. The Commission receives an annual appropriation from Aiken County to accomplish these objectives. During the year ended June 30, 2018, the Commission made grants to the University of South Carolina Aiken (USC Aiken) totaling \$100,000 for campus maintenance and enhancements. USC Aiken provides accounting and cash management services to the Commission at no charge, including management of the operating portion of its cash. The Commission leases its land and buildings to USC Aiken for \$1 annually. At June 30, 2018, the Commission had a net position of \$2,319,032.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 12 - RELATED PARTIES, Continued**

***Lancaster County Commission for Higher Education*** - The Lancaster County Commission for Higher Education (the Commission) was created under Act 126 of the 1959 Session of the General Assembly of South Carolina. The Commission is composed of seven members who are appointed by the Governor on the recommendation of a majority of the Lancaster County Legislative Delegation, including the Senator. The Commission's purpose is the encouragement of higher education in Lancaster and adjacent areas and, more specifically, the establishment in Lancaster County of facilities to offer standard freshman and sophomore college courses, and such other courses as deemed desirable. The Commission is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and, generally, take such actions in its name as are necessary to secure for Lancaster County and adjacent areas the necessary educational facilities to provide higher education. The Commission receives an annual appropriation from Lancaster County designated specifically for the University of South Carolina Lancaster (USC Lancaster). During the fiscal year ended June 30, 2018, the Commission received an annual appropriation of \$1,738,374 and \$782 in interest income. The Commission disbursed \$1,000,000 to USC Lancaster for operations and maintenance of the physical plant and \$14,466 to vendors for insurance, professional services, banking fees and commencement expenses. There was also a \$480,000 disbursement to the Educational Foundation of USC Lancaster for Founders Hall. USC Lancaster provides accounting and cash management services to the Commission at no charge. At June 30, 2018, the Commission had a net position of \$1,443,474.

***Western Carolina Higher Education Commission*** - The Western Carolina Higher Education Commission (the Commission) was created under Act 270 in the 1984 Session of the General Assembly of South Carolina. The Commission is composed of ten members, two of whom are from each of the following counties: Allendale, Bamberg, Barnwell, Colleton, and Hampton. The members are appointed by the Governor upon the recommendation of a majority of the Legislative Delegations from the respective counties. The Commission's purpose is the encouragement of higher education in the respective counties and adjacent areas and, more specifically, the establishment of facilities to offer standard freshman and sophomore college courses, and such other courses as deemed desirable. The Commission is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and, generally, take such actions in its name as are necessary to secure for its respective counties and adjacent areas the necessary educational facilities to provide higher education. The Commission receives an annual appropriation from Allendale, Bamberg, Barnwell, Colleton, and Hampton counties to accomplish these objectives. The Commission paid expenditures on behalf of the University of South Carolina Salkehatchie (USC Salkehatchie) of \$132,889 for the fiscal year ended June 30, 2018. The Commission allows the use of its land and buildings to USC Salkehatchie at no cost. USC Salkehatchie provides accounting and cash management services to the Commission at no charge, including management of the operating portion of its cash. At June 30, 2018, the Commission had a net position of \$182,429.

***Mid-Carolina Commission for Higher Education, formerly known as Sumter County Commission for Higher Education*** - The Sumter County Commission for Higher Education was created under Act 50 of the 1965 Session of the General Assembly of South Carolina. In 1996, by an act of the state legislature, the Sumter County Commission for Higher Education was restructured as the Mid-Carolina Commission for Higher Education (the Commission) representing Sumter, Lee, and Clarendon Counties. The nine commission members are appointed by the Governor upon recommendation by the respective county legislative delegations, with one each from Lee and Clarendon Counties, and the remaining seven members from Sumter County. The purpose of the Commission is the encouragement of higher education in Sumter County and adjacent areas and, more specifically, the establishment in Sumter County of facilities to offer standard freshman and sophomore college courses, and such other courses as deemed desirable. The Commission is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and, generally, take such actions in its name as are necessary to secure for its respective counties and adjacent areas the necessary educational facilities to provide higher education. The University of South Carolina Sumter (USC Sumter) operates the Sumter Campus under contract with the Commission at a cost of \$1 annually. During the fiscal year ended June 30, 2018, the Commission made payments to USC Sumter totaling \$597,817 for the operation and maintenance of the campus. At June 30, 2018, the Commission had a net position of \$629,859.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 12 - RELATED PARTIES, Continued**

***Union Laurens Commission for Higher Education*** - The Union County Commission for Higher Education was created by Act 23 in the 1965 Session of the General Assembly of South Carolina and was repealed by Act 288 of the 1987 Session of the General Assembly of South Carolina which created the Union Laurens Commission for Higher Education (the Commission). The Commission is composed of nine members, with seven being residents of Union County and two being residents of Laurens County. The members are appointed by the Governor upon recommendation by the Union and Laurens County Legislative Delegations. The Commission is responsible for the encouragement of higher education in Union and Laurens Counties and adjacent areas and, more specifically, the establishment in Union and Laurens Counties of facilities to offer standard freshman and sophomore college courses and those other courses considered desirable. The Commission is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and, generally, take such actions in its name as are necessary to secure for its respective counties and adjacent areas the necessary educational facilities to provide higher education. The Commission receives an annual appropriation from Union and Laurens counties of \$174,005 to accomplish these objectives. During the year ended June 30, 2018, the Commission made grants to the University of South Carolina Union (USC Union) totaling \$141,576 for campus projects and maintenance, rental of facilities, community service and institutional support. The Commission provides its land and buildings to USC Union at no cost. USC Union provides clerical, accounting, and cash management services to the Commission at no charge. At June 30, 2018, the Commission had a net position of \$2,746,665.

***Spartanburg County Commission for Higher Education*** - The Spartanburg County Commission for Higher Education (the Commission) was created under Act 36 of the 1967 Session of the General Assembly of South Carolina. The Commission is composed of seventeen members who are appointed by the Governor on the recommendation of a majority of the Spartanburg County Legislative Delegation. The Commission is responsible for the encouragement of higher education in Spartanburg County and adjacent areas and, more specifically, the establishment in Spartanburg County of facilities necessary to provide for an institution of higher education. The Commission is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and, generally, take such actions in its name as are necessary to secure for Spartanburg County and adjacent areas the necessary educational facilities to provide higher education. The Commission receives an annual appropriation from Spartanburg County. The Commission paid expenditures on behalf of USC Upstate of \$21,138 for the fiscal year ended June 30, 2018. USC Upstate provides accounting and record maintenance services to the Commission at no charge. The Commission owns six duplexes, one has a mortgage, located adjacent to campus. These properties are managed by a rental company and are not considered student housing. The proceeds from these rentals are added to the \$393,158 endowment or the operating funds of the Commission. At June 30, 2018, the Commission had a net position of \$857,486.

**NOTE 13 - RISK MANAGEMENT**

The University has implemented a comprehensive Enterprise Risk Management (ERM) and Insurance program across all campuses which incorporates the fundamentals of risk identification, risk assessment, risk treatment, risk monitoring and risk review. Currently, the Columbia campus has established an ERM process using the guidance of International Standards Organization (ISO) 3100-2009 "Risk Management - Principles and Guidelines". ISO provides principles, framework and process for managing any form of risk in a systematic, transparent and credible manner. The ERM and Insurance program is committed to: preventing adverse claim experience through training, education and inspection; advising and assisting university managers in identifying potential risks and losses; advising and assisting university managers in implementing controls to mitigate risks; and procuring appropriate insurance policies. The University mitigates the financial consequences of physical, human, and financial loss by purchasing insurance through the State Budget and Control Board Office of the Insurance Reserve Fund (IRF). As needed, the IRF policies are supplemented by the purchase of policies through the private insurance market. Several sections of the South Carolina Code of Laws authorize and require the State Budget and Control Board, through the IRF, to provide insurance to governmental entities. These statutes in turn require most state entities to purchase insurance through the IRF. These sections include:

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 13 - RISK MANAGEMENT, Continued**

**Title 1 - Administration of Government,** Section 1-11-140 - 141. Authority to provide tort liability insurance to governmental entities, their employees, and charitable medical facilities.

**Title 1 - Administration of Government:** Section 1-11-147. Automobile Liability Reinsurance.

**Title 10 - Public Buildings and Property:** Section 10-7-10 through 10-7-40. Authority to insure public buildings and contents.

**Title 10 - Public Buildings and Property:** Section 10-7-12. Authority to purchase reinsurance.

**Title 10 - Public Buildings and Property:** Section 10-7-130. Authority to hold monies paid as premiums for the purpose of paying Insured losses.

**Title 11 - Public Finance:** Section 11-9-75. Debt Collection Procedures.

**Title 15 - Civil Remedies and Procedures:** Section 15-78-10 through 15-78-150. S.C. Governmental Tort Claims Act. Authority to provide liability insurance.

**Title 38 - Insurance:** Section 38-13-190. Requires South Carolina Insurance Department Audits of Insurance Reserve Fund Finance.

**Title 59 - Education:** Section 59-67-710 & 59-67-790. Authority to insure school buses and pupils transported by school bus.

**Title 59 - Education:** Section 59-67-790. Pupil Injury Fund.

The IRF functions as a governmental insurance operation with the mission to provide insurance specifically designed to meet the needs of governmental entities at the lowest possible cost. The IRF operates like an insurance company, by issuing policies, collecting premiums (based on actuarially calculated rates), and by paying claims from the accumulated premiums in accordance with the terms and conditions of the insurance policies it has issued.

All premiums received by the IRF are deposited with the Office of the State Treasurer where the funds are maintained as the IRF Trust Account. By statutory requirement, these funds are to be used to pay claims and operating expenses of the fund. The Office of the State Treasurer is responsible for investing these funds. The costs of settled claims have not exceeded the University's insurance coverage in any of the past three years.

The IRF uses no agents, brokers, or advertising, and does not actively solicit accounts. The lack of a profit motive and the lack of acquisition expenses such as agents' commissions, along with the use of the investment income in rate determination allow the IRF to maintain the lowest possible rate structure. Not all governmental entities elect to purchase their insurance through the IRF. The South Carolina Tort Claims Act allows political subdivisions of the State access to other mechanisms to meet their insurance needs at their discretion. Some entities participate in other self-insurance pools, some purchase commercial insurance, and some elect to self-insure their insurance exposures.

The various types of insurance policies maintained by the University include: Building and Personal Property, Inland Marine, Ocean Marine, Data Processing Equipment, Business Interruption, Builders' Risk, Automobile, Aircraft, Directors and Officers Liability, General Tort Liability, Cyber Liability, Medical Professional Liability, Employee Fidelity Bond, and Workers' Compensation.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 14 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification are summarized as follows:

|                                 | <b>Salaries<br/>and Wages</b> | <b>Fringe<br/>Benefits</b> | <b>Services and<br/>Supplies</b> | <b>Utilities</b>     | <b>Scholarships<br/>and Fellowships</b> | <b>Depreciation</b>  | <b>Total</b>            |
|---------------------------------|-------------------------------|----------------------------|----------------------------------|----------------------|---|----------------------|-------------------------|
| Instruction                     | \$ 288,481,475                | \$ 112,521,512             | \$ 48,225,131                    | \$ 96,132            | \$ 1,220,510                            | \$ -                 | \$ 450,544,760          |
| Research                        | 62,406,264                    | 27,694,538                 | 40,382,729                       | 109,694              | 932,857                                 | -                    | 131,526,082             |
| Public service                  | 34,615,948                    | 12,405,230                 | 18,393,260                       | 44,612               | 391,471                                 | -                    | 65,850,521              |
| Academic support                | 49,106,419                    | 18,626,702                 | 24,469,614                       | 8,948                | 29,023                                  | -                    | 92,240,706              |
| Student services                | 36,057,942                    | 13,888,563                 | 25,899,750                       | 803,368              | 190,172                                 | -                    | 76,839,795              |
| Institutional support           | 53,547,466                    | 21,732,991                 | 23,937,610                       | 10,622               | 14,931                                  | -                    | 99,243,620              |
| Operation & plant maintenance   | 29,455,428                    | 13,403,150                 | 57,209,628                       | 26,326,537           | 18                                      | -                    | 126,394,761             |
| Auxiliary enterprises           | 63,134,354                    | 18,504,501                 | 72,474,301                       | 10,240,762           | 1,834,378                               | -                    | 166,188,296             |
| Scholarships and fellowships    | 102,872                       | 1,909,060                  | 231,145                          | -                    | 24,990,150                              | -                    | 27,233,227              |
| Depreciation                    | -                             | -                          | -                                | -                    | -                                       | 68,989,749           | 68,989,749              |
| <b>Total operating expenses</b> | <b>\$ 616,908,168</b>         | <b>\$ 240,686,247</b>      | <b>\$ 311,223,168</b>            | <b>\$ 37,640,675</b> | <b>\$ 29,603,510</b>                    | <b>\$ 68,989,749</b> | <b>\$ 1,305,051,517</b> |

**NOTE 15 - ENDOWMENTS AND SIMILAR FUNDS**

The University's endowment funds and type consist of the following:

| <b>Net Position Classification</b> | <b>True<br/>Endowment</b> | <b>Quasi<br/>Endowment</b> | <b>Total</b>          |
|------------------------------------|---------------------------|----------------------------|-----------------------|
| Restricted - nonexpendable         | \$ 85,424,843             | \$ -                       | \$ 85,424,843         |
| Unrestricted                       | -                         | 69,695,150                 | 69,695,150            |
| <b>Total</b>                       | <b>\$ 85,424,843</b>      | <b>\$ 69,695,150</b>       | <b>\$ 155,119,993</b> |

**NOTE 16 – RESTATEMENT OF BEGINNING NET POSITION**

During the fiscal year, the University had two events that required a restatement of beginning net position. The transition of the Gamecock Club from the University Athletic Department to a discretely presented component unit of the University and the implementation of Governmental Accounting Standards Board (GASB) Statement 75 are reflected in the restatement of the beginning net position in the Statement of Revenues, Expenses and Changes in Net Position. Details of each of these events can be found in Note 6 for the GASB Implementation and Note 11 for the Gamecock Club.

|  |                         |
|--|-------------------------|
| Transition of Gamecock Club to a discretely presented component unit | \$ (13,508,426)         |
| Implementation of GASB 75  | (917,211,881)           |
| <b>Total Restatement</b>   | <b>\$ (930,720,307)</b> |



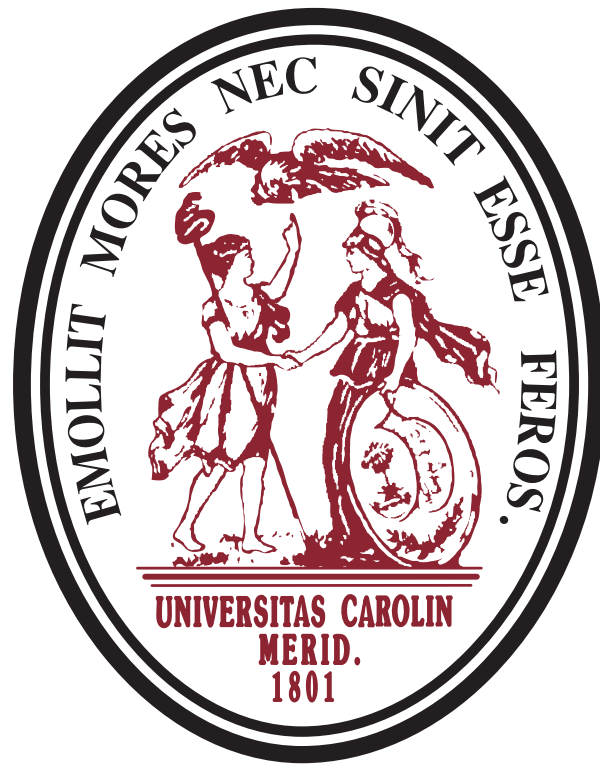
**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 17 – SIEMENS PRODUCT LIFESTYLE MANAGEMENT SOFTWARE**

On July 7, 2017, the University of South Carolina was notified by Siemens Product Lifecycle Management Software that it was the recipient of an academic grant for site licenses valued at \$628,883,890. This will be considered a non-capitalized gift-in-kind. \$162,218,740 was awarded in the fiscal year ended June 30, 2018. Future awards are as follows:

|      |                             |
|------|-----------------------------|
| 2019 | \$116,666,286               |
| 2020 | 116,666,288                 |
| 2021 | 116,666,288                 |
| 2022 | 116,666,288                 |
|      | <u><b>\$466,665,150</b></u> |

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# **Required Supplementary Information**

**to the Financial Statements**

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**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of the University's Proportionate Share of the Net Pension Liability**  
**As of June 30**

|   | SCRS                  |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2018                  | 2017                  | 2016                  | 2015                  | 2014                  |
| University's proportion of the net pension liability  | 4.167883%             | 4.057192%             | 4.074340%             | 4.086408%             | 4.086408%             |
| University's proportionate share of the net pension liability   | <u>\$ 938,282,339</u> | <u>\$ 866,637,424</u> | <u>\$ 772,745,350</u> | <u>\$ 703,562,633</u> | <u>\$ 732,955,826</u> |
| University's covered-employee payroll during the measurement period   | <u>\$ 279,360,816</u> | <u>\$ 266,242,277</u> | <u>\$ 259,539,897</u> | <u>\$ 254,916,138</u> | <u>\$ 250,774,743</u> |
| University's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 335.87%               | 325.51%               | 297.74%               | 276.00%               | 292.28%               |
| Plan fiduciary net position as a percentage of the total pension liability                                    | 53.30%                | 52.91%                | 56.99%                | 59.92%                | 56.39%                |

|   | PORS                 |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2018                 | 2017                 | 2016                 | 2015                 | 2014                 |
| University's proportion of the net pension liability  | 0.542530%            | 0.516784%            | 0.523020%            | 0.527400%            | 0.527400%            |
| University's proportionate share of the net pension liability   | <u>\$ 14,862,802</u> | <u>\$ 13,108,096</u> | <u>\$ 11,399,093</u> | <u>\$ 10,102,838</u> | <u>\$ 10,932,795</u> |
| University's covered-employee payroll during the measurement period   | <u>\$ 7,291,336</u>  | <u>\$ 6,589,396</u>  | <u>\$ 6,497,348</u>  | <u>\$ 6,360,804</u>  | <u>\$ 5,934,668</u>  |
| University's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 203.84%              | 198.93%              | 175.44%              | 158.83%              | 184.22%              |
| Plan fiduciary net position as a percentage of the total pension liability                                    | 60.90%               | 60.44%               | 64.57%               | 67.55%               | 62.98%               |

\*This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available.

**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of the University's Contributions**  
**Related to the Pension Liability**  
**For the Years Ended June 30**

|  | SCRS           |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|
|  | 2018           | 2017           | 2016           | 2015           | 2014           |
| Contractually required contribution                    | \$ 55,930,269  | \$ 48,557,480  | \$ 43,476,291  | \$ 41,640,003  | \$ 39,325,215  |
| Contributions made to pension plan                     | 55,930,269     | 48,557,480     | 43,476,291     | 41,640,003     | 39,325,215     |
| Contribution deficiency (excess)                       | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           |
| University's covered employee payroll                  | \$ 282,488,211 | \$ 279,360,816 | \$ 266,242,277 | \$ 259,539,897 | \$ 254,916,138 |
| Contributions as a portion of covered employee payroll | 19.80%         | 17.38%         | 16.33%         | 16.04%         | 15.43%         |

|  | PORS         |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
|  | 2018         | 2017         | 2016         | 2015         | 2014         |
| Contractually required contribution                    | \$ 1,275,284 | \$ 1,038,286 | \$ 905,383   | \$ 868,899   | \$ 814,472   |
| Contributions made to pension plan                     | 1,275,284    | 1,038,286    | 905,383      | 868,899      | 814,472      |
| Contribution deficiency (excess)                       | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| University's covered employee payroll                  | \$ 7,928,895 | \$ 7,291,336 | \$ 6,589,396 | \$ 6,497,348 | \$ 6,360,804 |
| Contributions as a portion of covered employee payroll | 16.08%       | 13.74%       | 13.74%       | 13.37%       | 12.80%       |

\*This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available.

**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of the University's Proportionate Share of the Net OPEB Liability**  
**As of June 30**

|  | <b>South Carolina Long-Term Disability Insurance Trust Fund</b> |                       |
|--|---|-----------------------|
|  | <b>2018</b>   | <b>2017</b>           |
| University's proportion of the net OPEB liability  | 3.680333%   | 3.680333%             |
| University's proportionate share of the net OPEB liability   | <u>\$ 66,724</u>  | <u>\$ 25,547</u>      |
| University's covered-employee payroll during the measurement period  | <u>\$ 535,242,866</u>   | <u>\$ 506,294,863</u> |
| University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 0.01%   | 0.01%                 |
| Plan fiduciary net position as a percentage of the total OPEB liability                                    | 95.29%  | 95.29%                |

|  | <b>South Carolina Retiree Health Insurance Trust Fund</b> |                       |
|--|---|-----------------------|
|  | <b>2018</b>   | <b>2017</b>           |
| University's proportion of the net OPEB liability  | 6.339136%   | 6.339136%             |
| University's proportionate share of the net OPEB liability   | <u>\$ 858,625,715</u>                                     | <u>\$ 917,186,333</u> |
| University's covered-employee payroll during the measurement period  | <u>\$ 535,242,866</u>                                     | <u>\$ 506,294,863</u> |
| University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 160.42%   | 181.16%               |
| Plan fiduciary net position as a percentage of the total OPEB liability                                    | 7.60%   | 7.60%                 |

\*This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available.

**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of the University's Contributions**  
**Related to the OPEB Liability**  
**For the Years Ended June 30**

|  | <b>South Carolina Long-Term Disability<br/>Insurance Trust Fund</b> |                |
|--|---|----------------|
|  | <b>2018</b>   | <b>2017</b>    |
| Contractually required contribution                    | \$ 268,068  | \$ 266,403     |
| Contributions made to plan                             | 268,068   | 266,403        |
| Contribution deficiency (excess)                       | <u>\$ -</u>   | <u>\$ -</u>    |
| University's covered employee payroll                  | \$ 548,356,852  | \$ 535,242,866 |
| Contributions as a portion of covered employee payroll | 0.05%   | 0.05%          |

|  | <b>South Carolina Retiree Health<br/>Insurance Trust Fund</b> |                |
|--|---|----------------|
|  | <b>2018</b>   | <b>2017</b>    |
| Contractually required contribution                    | \$ 29,477,021   | \$ 28,528,445  |
| Contributions made to plan                             | 29,477,021  | 28,528,445     |
| Contribution deficiency (excess)                       | <u>\$ -</u>   | <u>\$ -</u>    |
| University's covered employee payroll                  | \$ 548,356,852  | \$ 535,242,866 |
| Contributions as a portion of covered employee payroll | 5.38%   | 5.33%          |

\*This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available





# **Supplementary Information**

**to the Financial Statements**

**UNIVERSITY OF SOUTH CAROLINA**  
**Columbia Campus Athletics Department**  
**Schedule of Funds Available for Debt Service**  
**For Fiscal Year Ending June 30, 2018**

**REVENUES**

|   |                    |
|---|--------------------|
| Admissions/Ticket Sales <sup>(1)</sup>            | \$ 19,967,299      |
| Student Athletic Fees                             | 2,852,962          |
| Guarantees  | 2,441,916          |
| Contributions                                     | 38,059,706         |
| NCAA/ Conference (SEC) Distribution               | 42,540,364         |
| Media Rights                                      | 8,120,000          |
| Direct Institutional Support                      | 3,309,255          |
| Program, Concession, Novelty, Parking (Aux. Svcs) | 4,354,303          |
| Royalties, Licensing, Adv. Sponsor.               | 9,189,040          |
| Sports Camp Revenues                              | 43,335             |
| Endowment and Investment Inc                      | 411,947            |
| Other Operating                                   | 6,092,511          |
| Total revenues                                    | <u>137,382,638</u> |

**EXPENSES**

|   |                    |
|---|--------------------|
| Athletics Student Aid - Grants (Scholarships) | 16,418,748         |
| Guarantees                                    | 1,734,904          |
| Personnel                                     | 48,312,602         |
| Recruiting                                    | 2,128,667          |
| Team Travel                                   | 7,614,883          |
| Equipment, Uniforms and Supplies              | 3,794,458          |
| Game Services                                 | 7,597,926          |
| Fund Raising, Mktg. & Promotion               | 2,347,843          |
| Sports Camp Exp.                              | 108,721            |
| Direct Facilities and Administ. Support       | 21,023,470         |
| Spirit Groups                                 | 575,947            |
| Med. Exp. And Insurance                       | 1,703,227          |
| Memberships and Dues                          | 84,363             |
| Student Athlete Meals(Non-travel)             | 1,571,419          |
| Other Services                                | 6,933,498          |
| Total expenses                                | <u>121,950,676</u> |

|              |            |
|--------------|------------|
| Net revenues | 15,431,962 |
|--------------|------------|

|                            |         |
|----------------------------|---------|
| <b>MANDATORY TRANSFERS</b> | 425,725 |
|----------------------------|---------|

|  |                   |
|--|-------------------|
| Net revenues after mandatory transfers | <u>15,006,237</u> |
|--|-------------------|

**OTHER RECEIPTS**

|                      |                  |
|----------------------|------------------|
| Admissions Fees      | 3,929,155        |
| Special Student Fees | 1,862,156        |
| Interest & Other     | 219,457          |
| Total other receipts | <u>6,010,768</u> |

|   |                             |
|---|-----------------------------|
| <b>Total funds available for debt service</b> | <u><u>\$ 21,017,005</u></u> |
|---|-----------------------------|

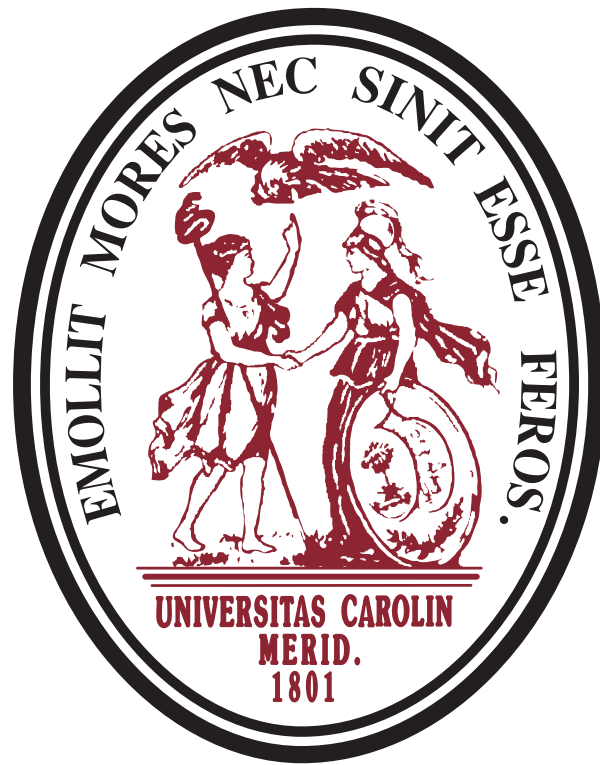
<sup>(1)</sup> Excludes Admission Fees



On November 3, 2017, South Carolina Men's Soccer defeated UAB 1-0 on the road in the final regular-season match of the season for head coach Mark Berson's 500th career victory.

*Photo provided by Gamecock Athletics*

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# Statistical Section

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## UNIVERSITY OF SOUTH CAROLINA Statistical Section

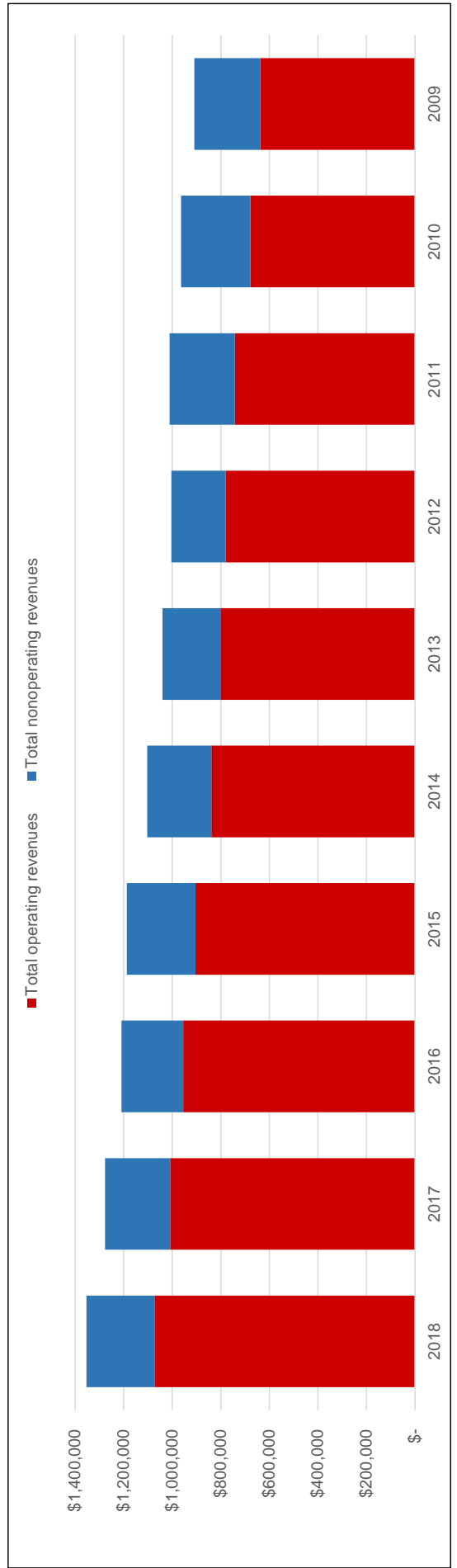
This section of the University of South Carolina Comprehensive Annual Financial Report presents detailed data as context for understanding and analyzing the information provided in the financial statements, note disclosures and required supplementary information. This supporting documentation conveys a broad perspective on the University's and State of South Carolina's financial condition.

| <b>Contents</b>   | <b>Pages</b>   |
|---|----------------|
| <b>Financial Trends.....</b>  | <b>100-107</b> |
| These schedules contain trend information to help the reader understand how the University's financial performance has changed over time.   |                |
| <b>Debt Capacity.....</b>   | <b>108-109</b> |
| These schedules present information to help the reader assess the affordability of the University's current levels of outstanding debt and its ability to issue additional debt in the future.                |                |
| <b>Operating Information.....</b>   | <b>110-116</b> |
| These schedules contain information about the University's operations and resources to help the reader understand how the University's financial information relates to the services it provides.             |                |
| <b>Demographic and Economic Information.....</b>  | <b>117-118</b> |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the University's financial activities take place and to help make comparisons over time. |                |

Sources: Unless otherwise noted, the information in these schedules is derived from the Financial Statements for the relevant years.

**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Revenues By Source**  
Last Ten Fiscal Years  
(amounts in thousands)

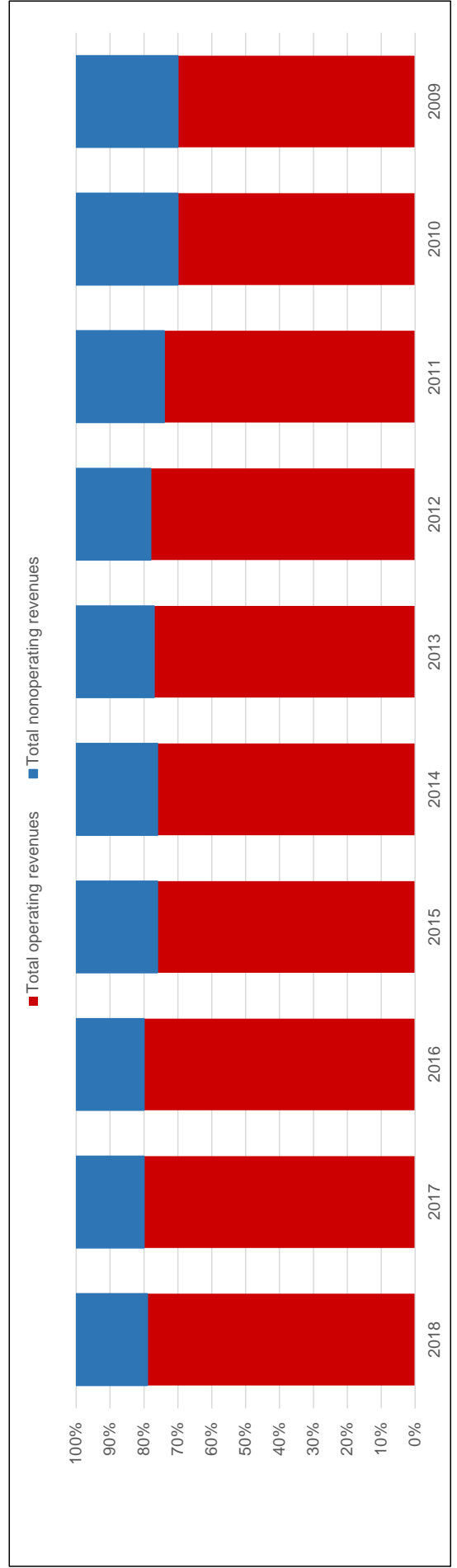
|   | 2018                | 2017                | 2016                | 2015                | 2014                | 2013                | 2012                | 2011                | 2010              | 2009              |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| <b>Revenues</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                   |                   |
| Student tuition and fees  |                     |                     |                     |                     |                     |                     |                     |                     |                   |                   |
| (net of scholarship allowances)   | \$ 552,222          | \$ 520,904          | \$ 481,768          | \$ 448,058          | \$ 407,914          | \$ 383,366          | \$ 359,234          | \$ 331,713          | \$ 296,871        | \$ 275,408        |
| Federal grants and contracts  | 126,683             | 107,649             | 136,661             | 138,914             | 128,485             | 128,745             | 135,957             | 147,393             | 130,115           | 118,854           |
| State grants and contracts  | 119,391             | 123,775             | 93,079              | 87,638              | 88,354              | 85,610              | 80,832              | 78,346              | 76,985            | 75,997            |
| Local grants and contracts  | 1,163               | 1,278               | 1,365               | 1,208               | 1,167               | 1,329               | 1,337               | 1,439               | 1,245             | 1,061             |
| Nongovernmental grants and contracts  | 42,396              | 39,518              | 32,854              | 36,704              | 38,818              | 34,932              | 38,481              | 26,027              | 26,196            | 26,988            |
| Sales and services of educational and other activities                      | 30,077              | 33,535              | 32,837              | 30,902              | 29,609              | 27,263              | 26,500              | 27,938              | 24,217            | 25,429            |
| Sales and services of auxiliary enterprises (net of scholarship allowances) | 186,207             | 168,127             | 161,143             | 146,693             | 131,836             | 128,220             | 125,215             | 116,176             | 110,315           | 102,288           |
| Interest collected on student loans   | 297                 | 271                 | 295                 | 305                 | 333                 | 301                 | 328                 | 309                 | 303               | 253               |
| Other fees  | 11,569              | 10,946              | 9,778               | 9,850               | 9,143               | 5,982               | 5,967               | 6,099               | 6,151             | 7,035             |
| Other operating revenues  | 3,098               | 2,486               | 5,240               | 3,980               | 3,629               | 5,450               | 5,465               | 7,034               | 5,618             | 4,440             |
| <b>Total operating revenues</b>   | <b>1,073,103</b>    | <b>1,008,469</b>    | <b>955,020</b>      | <b>904,252</b>      | <b>839,288</b>      | <b>801,198</b>      | <b>779,316</b>      | <b>742,474</b>      | <b>678,016</b>    | <b>637,753</b>    |
| State appropriations  | 163,371             | 158,735             | 149,059             | 147,512             | 144,295             | 136,401             | 118,333             | 124,637             | 160,184           | 173,279           |
| Federal grants  | 57,365              | 50,127              | 52,293              | 52,452              | 52,113              | 52,618              | 53,320              | 94,125              | 65,552            | 28,952            |
| Gifts   | 55,519              | 53,891              | 42,160              | 45,548              | 46,444              | 43,918              | 38,401              | 37,967              | 42,086            | 53,780            |
| Investment income   | 4,184               | 2,533               | 3,641               | 2,630               | 2,342               | 2,465               | 7,823               | 5,570               | 9,420             | 10,898            |
| Endowment income (loss)   | (180)               | 2,897               | 6,862               | 3,144               | 6,250               | 3,392               | 6,679               | 6,120               | 8,383             | 3,067             |
| Other nonoperating revenues   | -                   | -                   | -                   | -                   | 12,270              | -                   | -                   | 14                  | -                 | -                 |
| Gain on disposal of capital assets  | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                 | 936               |
| <b>Total nonoperating revenues</b>  | <b>280,259</b>      | <b>268,183</b>      | <b>254,015</b>      | <b>282,786</b>      | <b>263,714</b>      | <b>238,794</b>      | <b>224,556</b>      | <b>268,433</b>      | <b>285,639</b>    | <b>270,912</b>    |
| <b>Total revenues</b>   | <b>\$ 1,353,362</b> | <b>\$ 1,276,652</b> | <b>\$ 1,209,035</b> | <b>\$ 1,187,038</b> | <b>\$ 1,103,002</b> | <b>\$ 1,039,992</b> | <b>\$ 1,003,872</b> | <b>\$ 1,010,907</b> | <b>\$ 963,655</b> | <b>\$ 908,665</b> |





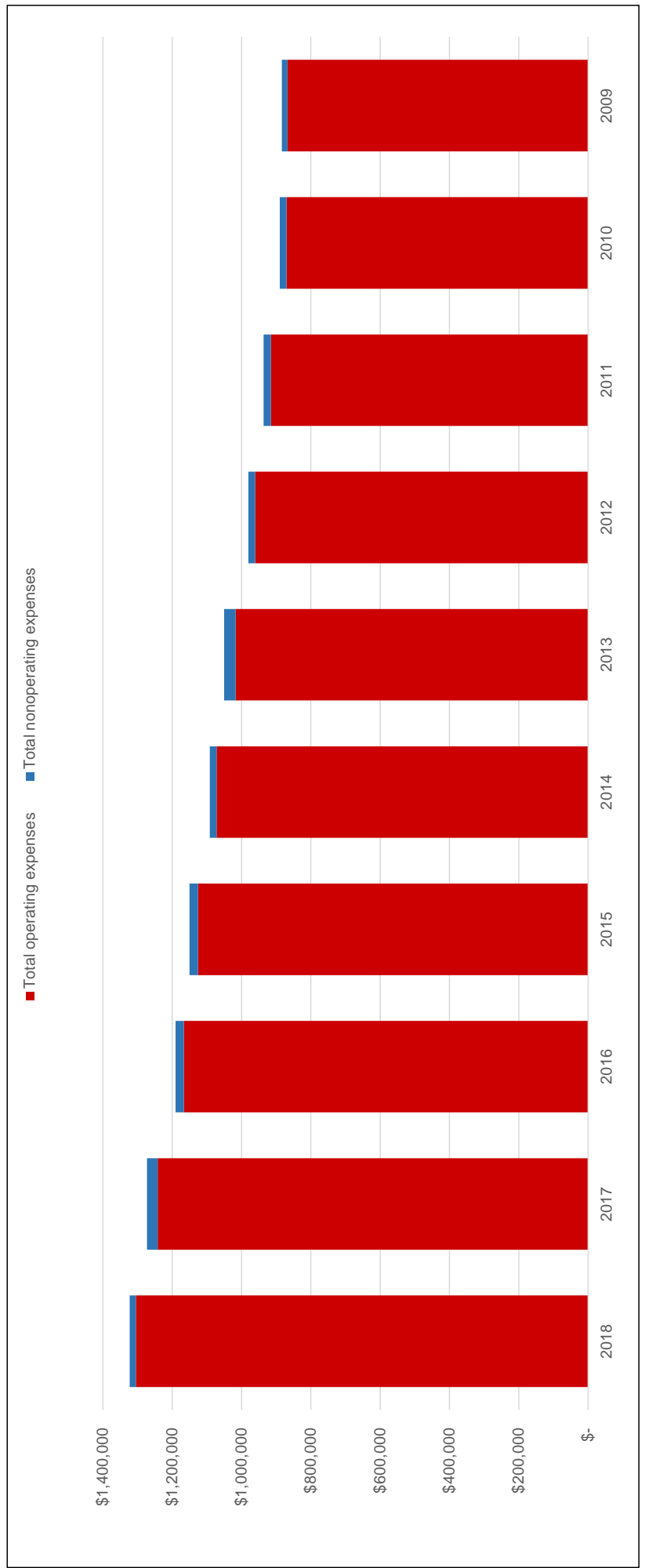
**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Revenues By Source**  
Last Ten Fiscal Years  
(percent of total revenues)

| Revenues   | Fiscal Year Ended June 30, |             |             |             |             |             |             |             |             |             |
|--|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 2018                       | 2017        | 2016        | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        | 2009        |
| Student tuition and fees                               |                            |             |             |             |             |             |             |             |             |             |
| (net of scholarship allowances)                        | 41%                        | 41%         | 40%         | 38%         | 37%         | 37%         | 36%         | 33%         | 31%         | 30%         |
| Federal grants and contracts                           | 9%                         | 8%          | 11%         | 12%         | 12%         | 12%         | 13%         | 15%         | 13%         | 13%         |
| State grants and contracts                             | 9%                         | 10%         | 8%          | 7%          | 8%          | 8%          | 8%          | 8%          | 8%          | 8%          |
| Local grants and contracts                             | 0%                         | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Nongovernmental grants and contracts                   | 3%                         | 3%          | 3%          | 3%          | 3%          | 3%          | 4%          | 2%          | 3%          | 3%          |
| Sales and services of educational and other activities | 2%                         | 3%          | 3%          | 3%          | 3%          | 3%          | 3%          | 3%          | 2%          | 3%          |
| Sales and services of auxiliary enterprises            |                            |             |             |             |             |             |             |             |             |             |
| (net of scholarship allowances)                        | 14%                        | 13%         | 13%         | 12%         | 12%         | 12%         | 12%         | 11%         | 11%         | 11%         |
| Interest collected on student loans                    | 0%                         | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Other fees   | 1%                         | 1%          | 1%          | 1%          | 1%          | 1%          | 1%          | 1%          | 1%          | 1%          |
| Other operating revenues                               | 0%                         | 1%          | 1%          | 0%          | 0%          | 1%          | 1%          | 1%          | 1%          | 1%          |
| <b>Total operating revenues</b>                        | <b>79%</b>                 | <b>80%</b>  | <b>80%</b>  | <b>76%</b>  | <b>76%</b>  | <b>77%</b>  | <b>78%</b>  | <b>74%</b>  | <b>70%</b>  | <b>70%</b>  |
| State appropriations                                   | 12%                        | 12%         | 12%         | 13%         | 13%         | 14%         | 11%         | 12%         | 17%         | 19%         |
| Federal grants   | 4%                         | 4%          | 4%          | 4%          | 5%          | 5%          | 5%          | 9%          | 7%          | 3%          |
| Gifts  | 4%                         | 4%          | 3%          | 4%          | 4%          | 4%          | 4%          | 4%          | 4%          | 6%          |
| Investment income                                      | 1%                         | 0%          | 0%          | 0%          | 0%          | 0%          | 1%          | 0%          | 1%          | 1%          |
| Endowment income (loss)                                | 0%                         | 0%          | 1%          | 0%          | 1%          | 0%          | 1%          | 1%          | 1%          | 1%          |
| Other nonoperating revenues                            | 0%                         | 0%          | 0%          | 3%          | 1%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Gain on disposal of capital assets                     | 0%                         | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>Total nonoperating revenues</b>                     | <b>21%</b>                 | <b>20%</b>  | <b>20%</b>  | <b>24%</b>  | <b>24%</b>  | <b>23%</b>  | <b>22%</b>  | <b>26%</b>  | <b>30%</b>  | <b>30%</b>  |
| <b>Total revenues</b>                                  | <b>100%</b>                | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |



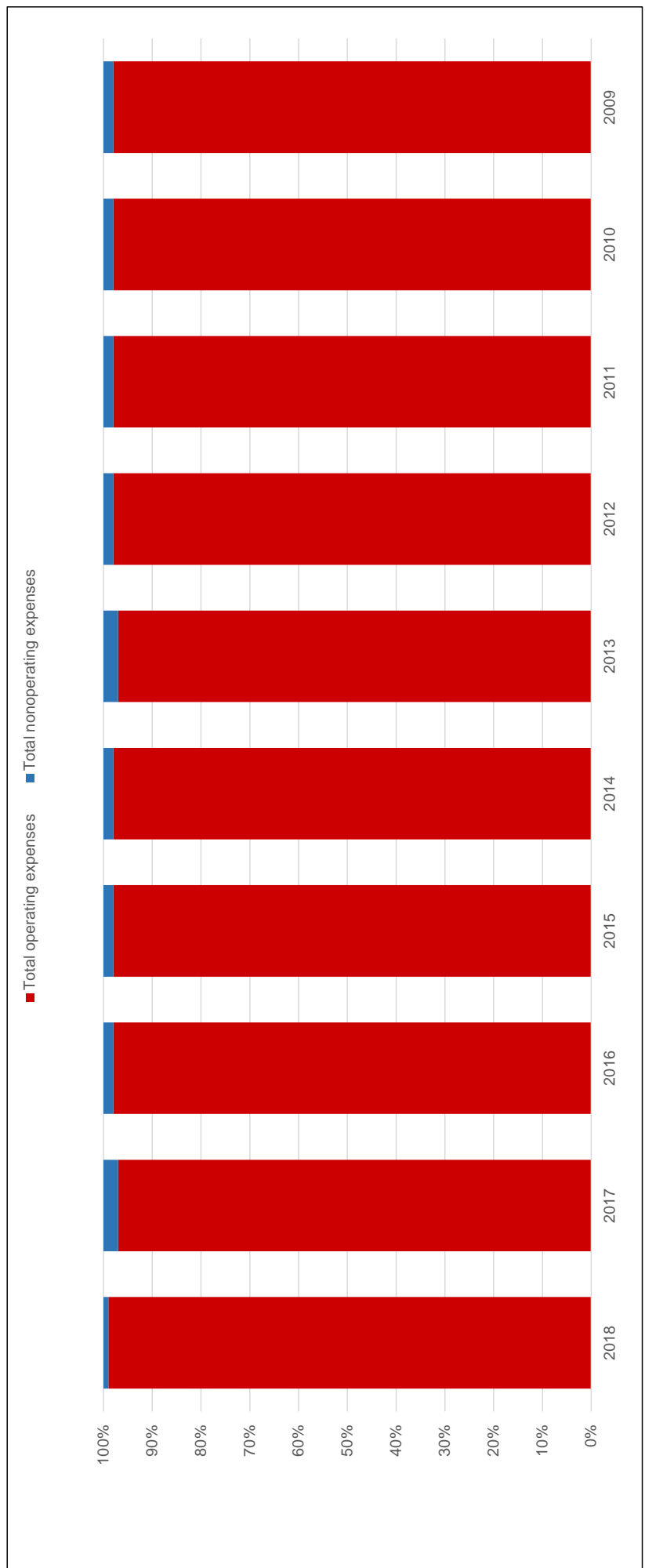
**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Expenses By Use**  
Last Ten Fiscal Years  
(amounts in thousands)

| Expenses                               | Fiscal Year Ended June 30, |                     |                     |                     |                     |                     |                   |                   |                   |                   |
|--|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2018                       | 2017                | 2016                | 2015                | 2014                | 2013                | 2012              | 2011              | 2010              | 2009              |
| Compensation and employee benefits     | \$ 857,594                 | \$ 820,418          | \$ 770,921          | \$ 736,540          | \$ 707,316          | \$ 677,157          | \$ 636,503        | \$ 595,861        | \$ 574,398        | \$ 574,690        |
| Services and supplies                  | 311,223                    | 292,965             | 278,641             | 269,855             | 248,900             | 235,707             | 223,142           | 216,733           | 197,044           | 202,315           |
| Utilities                              | 37,641                     | 34,715              | 34,526              | 34,936              | 34,605              | 31,090              | 29,515            | 29,803            | 28,061            | 26,938            |
| Scholarships and fellowships           | 29,604                     | 28,177              | 21,756              | 17,952              | 18,946              | 19,960              | 20,206            | 21,792            | 21,378            | 17,129            |
| Depreciation                           | 68,990                     | 65,473              | 60,566              | 66,354              | 62,340              | 53,334              | 51,253            | 50,819            | 49,324            | 46,495            |
| Total operating expenses               | 1,305,052                  | 1,241,748           | 1,166,410           | 1,125,637           | 1,072,107           | 1,017,248           | 960,619           | 915,008           | 870,205           | 867,567           |
| Loss on disposal of capital assets     | 2,258                      | 12,489              | 136                 | 2,249               | 720                 | 14,313              | 575               | 1,760             | 717               | -                 |
| Interest on capital asset related debt | 15,662                     | 18,691              | 23,881              | 22,178              | 18,648              | 18,762              | 19,025            | 19,579            | 19,040            | 16,154            |
| Other nonoperating expenses            | -                          | -                   | -                   | -                   | -                   | -                   | -                 | -                 | -                 | 4                 |
| Total nonoperating expenses            | 17,920                     | 31,180              | 24,017              | 24,427              | 19,368              | 33,075              | 19,600            | 21,339            | 19,757            | 16,158            |
| <b>Total expenses</b>                  | <b>\$ 1,322,972</b>        | <b>\$ 1,272,928</b> | <b>\$ 1,190,427</b> | <b>\$ 1,150,064</b> | <b>\$ 1,091,475</b> | <b>\$ 1,050,323</b> | <b>\$ 980,219</b> | <b>\$ 936,347</b> | <b>\$ 889,962</b> | <b>\$ 883,725</b> |



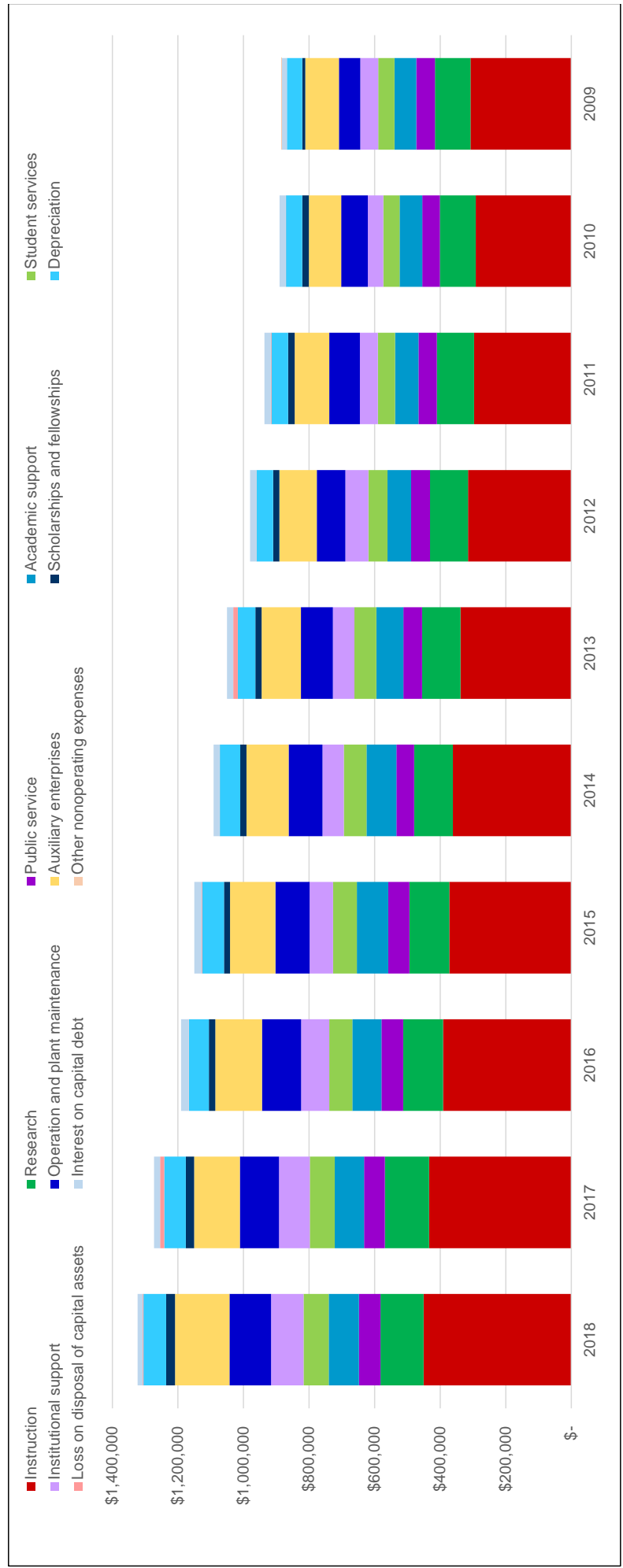
**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Expenses By Use**  
Last Ten Fiscal Years  
(percent of total expenses)

| Expenses                               | Fiscal Year Ended June 30, |             |             |             |             |             |             |             |             |             |
|--|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 2018                       | 2017        | 2016        | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        | 2009        |
| Compensation and employee benefits     | 65%                        | 64%         | 65%         | 64%         | 65%         | 65%         | 65%         | 64%         | 65%         | 65%         |
| Services and supplies                  | 24%                        | 23%         | 23%         | 23%         | 23%         | 22%         | 23%         | 23%         | 22%         | 23%         |
| Utilities                              | 3%                         | 3%          | 3%          | 3%          | 3%          | 3%          | 3%          | 3%          | 3%          | 3%          |
| Scholarships and fellowships           | 2%                         | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          |
| Depreciation                           | 5%                         | 5%          | 5%          | 6%          | 5%          | 5%          | 5%          | 6%          | 6%          | 5%          |
| <b>Total operating expenses</b>        | <b>99%</b>                 | <b>97%</b>  | <b>98%</b>  | <b>98%</b>  | <b>98%</b>  | <b>97%</b>  | <b>98%</b>  | <b>98%</b>  | <b>98%</b>  | <b>98%</b>  |
| Loss on disposal of capital assets     | 0%                         | 1%          | 0%          | 0%          | 0%          | 1%          | 0%          | 0%          | 0%          | 0%          |
| Interest on capital asset related debt | 1%                         | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          |
| Other nonoperating expenses            | 0%                         | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>Total nonoperating expenses</b>     | <b>1%</b>                  | <b>3%</b>   | <b>2%</b>   | <b>2%</b>   | <b>2%</b>   | <b>3%</b>   | <b>2%</b>   | <b>2%</b>   | <b>2%</b>   | <b>2%</b>   |
| <b>Total expenses</b>                  | <b>100%</b>                | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |



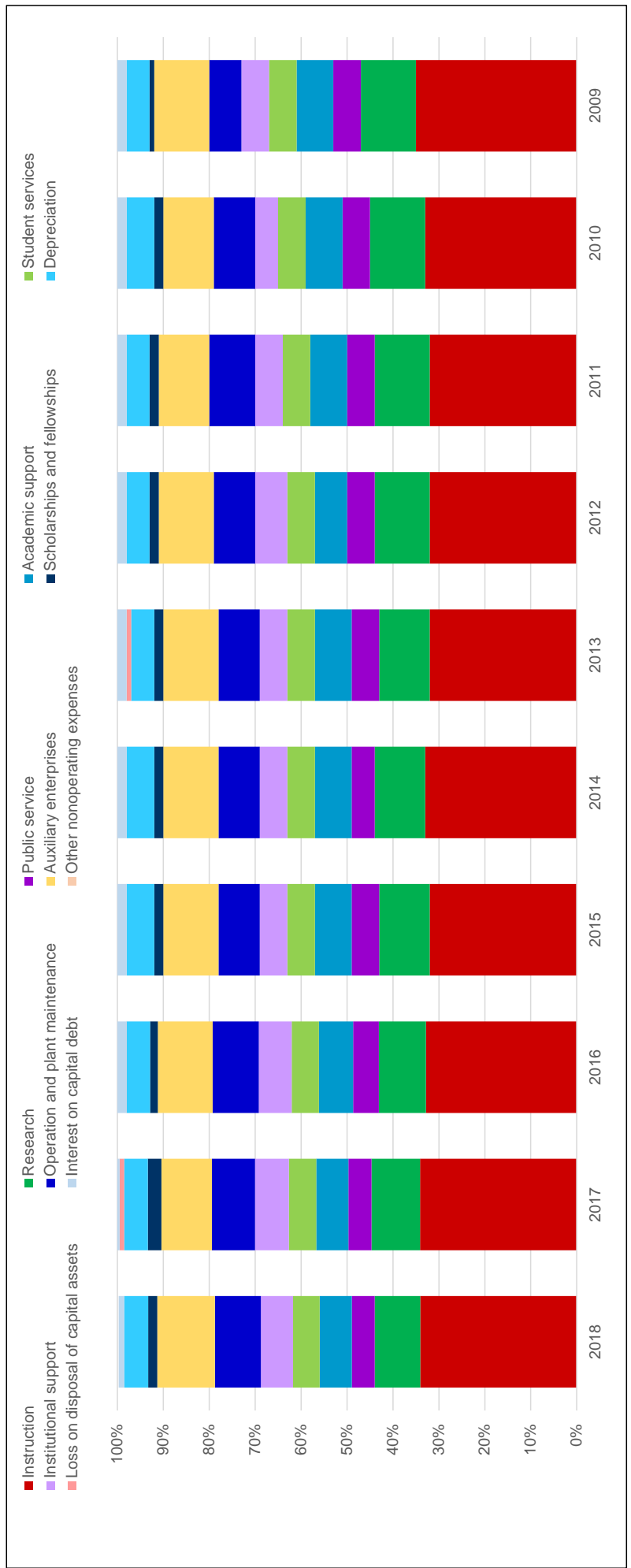
**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Expenses By Function**  
Last Ten Fiscal Years  
(amounts in thousands)

|                                    | 2018                | 2017                | 2016                | 2015                | 2014                | 2013                | 2012              | 2011              | 2010              | 2009              |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Expenses</b>                    |                     |                     |                     |                     |                     |                     |                   |                   |                   |                   |
| Instruction                        | \$ 450,545          | \$ 433,832          | \$ 390,960          | \$ 371,938          | \$ 361,122          | \$ 338,336          | \$ 315,093        | \$ 296,837        | \$ 291,267        | \$ 307,708        |
| Research                           | 131,526             | 134,846             | 121,960             | 121,913             | 118,274             | 117,024             | 116,169           | 113,563           | 109,769           | 108,456           |
| Public service                     | 65,851              | 63,819              | 66,361              | 64,519              | 54,273              | 57,162              | 57,305            | 55,876            | 53,664            | 57,125            |
| Academic support                   | 92,241              | 89,217              | 88,993              | 96,061              | 91,081              | 82,072              | 71,975            | 71,651            | 68,890            | 65,885            |
| Student services                   | 76,840              | 75,956              | 70,329              | 72,617              | 69,469              | 67,066              | 58,241            | 52,225            | 50,011            | 49,844            |
| Institutional support              | 99,244              | 94,108              | 85,436              | 71,061              | 64,981              | 65,870              | 70,397            | 54,839            | 47,090            | 54,638            |
| Operation and plant maintenance    | 126,394             | 119,293             | 119,626             | 104,374             | 103,108             | 97,133              | 86,999            | 93,328            | 81,146            | 65,453            |
| Auxiliary enterprises              | 166,188             | 139,660             | 142,146             | 138,552             | 128,388             | 119,908             | 114,216           | 105,454           | 98,964            | 102,344           |
| Scholarships and fellowships       | 27,233              | 25,544              | 20,033              | 18,248              | 19,071              | 19,343              | 18,971            | 20,416            | 20,080            | 9,619             |
| Depreciation                       | 68,990              | 65,473              | 60,566              | 66,354              | 62,340              | 53,334              | 51,253            | 50,819            | 49,324            | 46,495            |
| Loss on disposal of capital assets | 2,258               | 12,489              | 136                 | 2,249               | 720                 | 14,313              | 575               | 1,760             | 717               | -                 |
| Interest on capital debt           | 15,662              | 18,691              | 23,881              | 22,178              | 18,648              | 18,762              | 19,025            | 19,579            | 19,040            | 16,154            |
| Other nonoperating expenses        | -                   | -                   | -                   | -                   | -                   | -                   | -                 | -                 | -                 | 4                 |
| <b>Total expenses</b>              | <b>\$ 1,322,972</b> | <b>\$ 1,272,928</b> | <b>\$ 1,190,427</b> | <b>\$ 1,150,064</b> | <b>\$ 1,091,475</b> | <b>\$ 1,050,323</b> | <b>\$ 980,219</b> | <b>\$ 936,347</b> | <b>\$ 889,962</b> | <b>\$ 883,725</b> |



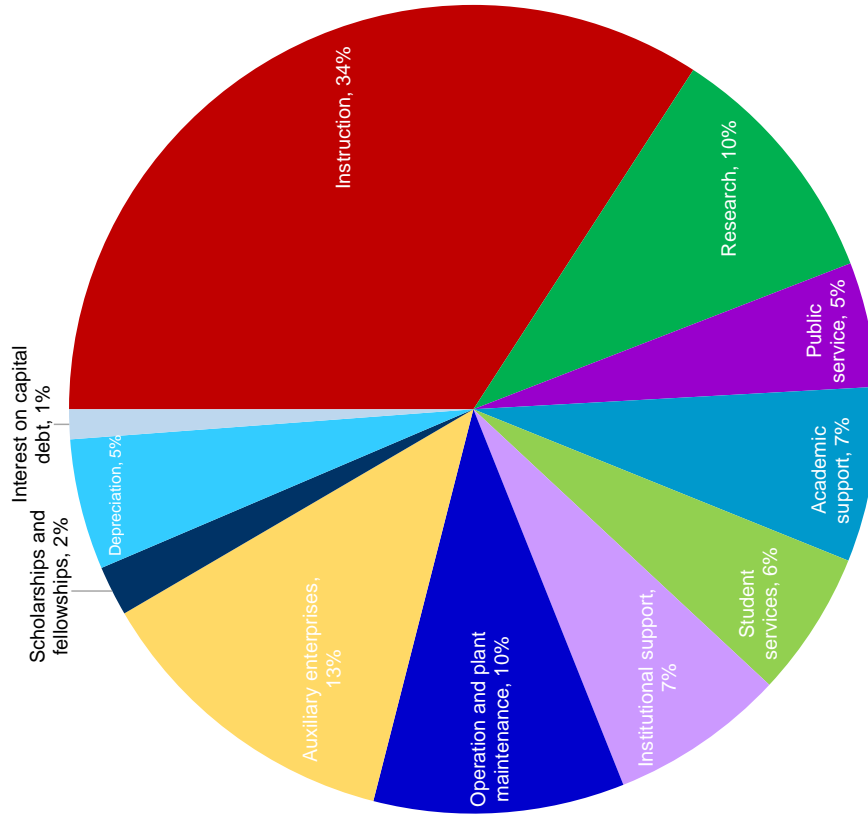
**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Expenses By Function**  
 Last Ten Fiscal Years  
 (percent of total expenses)

| Expenses                           | Fiscal Year Ended June 30, |             |             |             |             |             |             |             |             |             |
|------------------------------------|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                    | 2018                       | 2017        | 2016        | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        | 2009        |
| Instruction                        | 34%                        | 34%         | 33%         | 32%         | 33%         | 32%         | 32%         | 32%         | 33%         | 35%         |
| Research                           | 10%                        | 11%         | 10%         | 11%         | 11%         | 11%         | 12%         | 12%         | 12%         | 12%         |
| Public service                     | 5%                         | 5%          | 6%          | 6%          | 5%          | 6%          | 6%          | 6%          | 6%          | 6%          |
| Academic support                   | 7%                         | 7%          | 7%          | 8%          | 8%          | 8%          | 7%          | 8%          | 8%          | 8%          |
| Student services                   | 6%                         | 6%          | 6%          | 6%          | 6%          | 6%          | 6%          | 6%          | 6%          | 6%          |
| Institutional support              | 7%                         | 7%          | 7%          | 6%          | 6%          | 6%          | 7%          | 6%          | 5%          | 6%          |
| Operation and plant maintenance    | 10%                        | 9%          | 10%         | 9%          | 9%          | 9%          | 9%          | 10%         | 9%          | 7%          |
| Auxiliary enterprises              | 13%                        | 11%         | 12%         | 12%         | 12%         | 12%         | 12%         | 11%         | 11%         | 12%         |
| Scholarships and fellowships       | 2%                         | 3%          | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          | 1%          |
| Depreciation                       | 5%                         | 5%          | 5%          | 6%          | 6%          | 5%          | 5%          | 5%          | 6%          | 5%          |
| Loss on disposal of capital assets | 0%                         | 1%          | 0%          | 0%          | 0%          | 1%          | 0%          | 0%          | 0%          | 0%          |
| Interest on capital debt           | 1%                         | 1%          | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          | 2%          |
| Other nonoperating expenses        | 0%                         | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>Total expenses</b>              | <b>100%</b>                | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

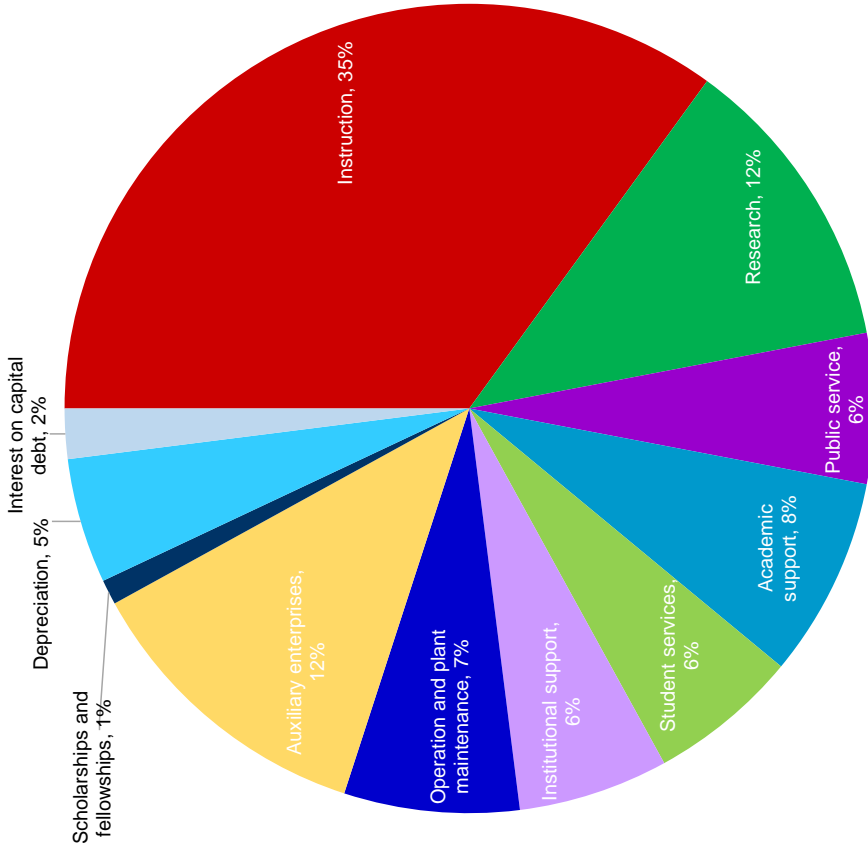


UNIVERSITY OF SOUTH CAROLINA  
**Schedule of Expenses By Function**  
 Current Fiscal Year and Nine Years Prior  
 (percent of total expenses)

2018



2009



**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Net Position and Changes in Net Position**  
Last Ten Fiscal Years  
(amounts in thousands)

|  | 2018                | 2017              | 2016              | 2015              | Fiscal Year Ended June 30, |                     | 2012                | 2011                | 2010                | 2009              |
|--|---------------------|-------------------|-------------------|-------------------|----------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
|  |                     |                   |                   |                   | 2014                       | 2013                |                     |                     |                     |                   |
| Total revenues (from schedule of revenues by source)           | \$ 1,353,362        | \$ 1,276,652      | \$ 1,209,035      | \$ 1,187,038      | \$ 1,103,002               | \$ 1,039,992        | \$ 1,003,872        | \$ 1,010,907        | \$ 963,655          | \$ 908,665        |
| Total expenses (from schedule of expenses by use and function) | (1,322,972)         | (1,272,928)       | (1,190,427)       | (1,150,064)       | (1,091,475)                | (1,050,323)         | (980,219)           | (936,347)           | (889,962)           | (883,725)         |
| Income (loss) before other revenues, and transfers             | 30,390              | 3,724             | 18,608            | 36,974            | 11,527                     | (10,331)            | 23,653              | 74,560              | 73,693              | 24,940            |
| State capital appropriations                                   | 272                 | 3,153             | 23,681            | 8,175             | 13,810                     | 11,430              | 2,585               | 2,082               | 7,631               | 8,496             |
| Capital grants and gifts                                       | 27,070              | 14,717            | 3,466             | 26,654            | 10,555                     | 8,007               | 11,416              | 5,256               | 9,824               | 28,949            |
| Additions to permanent endowments                              | 3,567               | 2,000             | 361               | 2,970             | 4,725                      | 1,674               | 5,384               | 18,090              | 6,446               | 17,594            |
| Transfers to other state funds, net                            | -                   | -                 | -                 | -                 | -                          | -                   | (1,468)             | (1,694)             | (1,296)             | (1,237)           |
| Total changes in net position                                  | 61,299              | 23,594            | 46,116            | 74,773            | 40,617                     | 10,780              | 41,570              | 98,294              | 96,298              | 78,742            |
| Net position, beginning, as originally stated                  | 695,371             | 671,777           | 625,661           | 1,254,637         | 1,214,020                  | 1,203,240           | 1,161,670           | 1,063,376           | 967,078             | 888,336           |
| Restatement  | (930,720)           | -                 | -                 | (703,749)         | -                          | -                   | -                   | -                   | -                   | -                 |
| Net position, beginning, as restated                           | (235,349)           | 671,777           | 625,661           | 550,888           | 1,214,020                  | 1,203,240           | 1,161,670           | 1,063,376           | 967,078             | 888,336           |
| <b>Net position, ending</b>                                    | <b>\$ (174,050)</b> | <b>\$ 695,371</b> | <b>\$ 671,777</b> | <b>\$ 625,661</b> | <b>\$ 1,254,637</b>        | <b>\$ 1,214,020</b> | <b>\$ 1,203,240</b> | <b>\$ 1,161,670</b> | <b>\$ 1,063,376</b> | <b>\$ 967,078</b> |
| Net investment in capital assets                               | \$ 817,715          | \$ 776,825        | \$ 757,731        | \$ 747,327        | \$ 701,292                 | \$ 671,053          | \$ 569,666          | \$ 592,929          | \$ 596,114          | \$ 597,305        |
| Restricted - non-expendable                                    | 85,425              | 84,984            | 82,789            | 82,077            | 79,285                     | 73,766              | 72,136              | 66,491              | 48,148              | 41,080            |
| Restricted - expendable  | 135,216             | 132,300           | 140,036           | 129,704           | 137,629                    | 121,396             | 200,308             | 140,672             | 92,909              | 70,678            |
| Unrestricted   | (1,212,406)         | (298,738)         | (308,779)         | (333,447)         | 336,431                    | 347,805             | 361,130             | 361,578             | 326,205             | 258,015           |
| <b>Total</b>   | <b>\$ (174,050)</b> | <b>\$ 695,371</b> | <b>\$ 671,777</b> | <b>\$ 625,661</b> | <b>\$ 1,254,637</b>        | <b>\$ 1,214,020</b> | <b>\$ 1,203,240</b> | <b>\$ 1,161,670</b> | <b>\$ 1,063,376</b> | <b>\$ 967,078</b> |

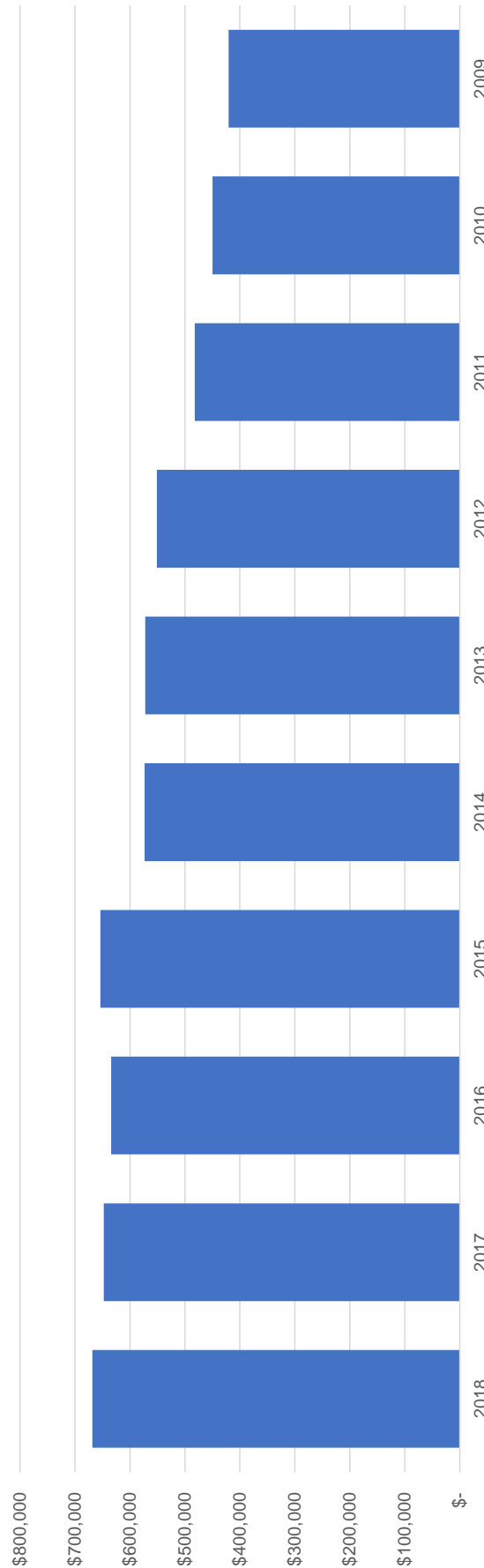
**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Ratios of Outstanding Debt**

Last Ten Fiscal Years

(amounts in thousands except for the FTE students and outstanding debt per student)

|   | 2018              | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| State institution bonds                           | \$ 166,955        | \$ 138,660        | \$ 147,990        | \$ 159,830        | \$ 116,035        | \$ 109,355        | \$ 117,715        | \$ 128,435        | \$ 112,130        | \$ 118,800        |
| Revenue bonds                                     | 242,540           | 254,820           | 272,520           | 280,065           | 288,140           | 295,415           | 264,725           | 212,100           | 218,320           | 195,300           |
| Athletic facilities revenue bonds                 | 178,200           | 186,280           | 151,270           | 154,750           | 119,250           | 121,915           | 124,450           | 112,700           | 47,175            | 48,130            |
| Bond anticipation notes payable                   | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 17,600            | 19,600            |
| Subtotal bonds payable                            | 587,695           | 579,760           | 571,780           | 594,645           | 523,425           | 526,685           | 506,890           | 453,235           | 395,225           | 381,830           |
| Unamortized bond premiums                         | 80,114            | 67,828            | 48,022            | 43,472            | 33,459            | 33,906            | 31,725            | 14,401            | 5,129             | 3,708             |
| Unamortized bond discounts                        | (180)             | (542)             | (571)             | (600)             | (628)             | (657)             | (685)             | (461)             | (479)             | (508)             |
| Unamortized loss on bond refunding <sup>(1)</sup> | -                 | -                 | -                 | -                 | -                 | (5,208)           | (5,604)           | (3,829)           | (2,221)           | (2,358)           |
| Total bonds payable                               | 667,629           | 647,046           | 619,231           | 637,517           | 556,256           | 554,726           | 532,326           | 463,346           | 397,654           | 382,672           |
| Notes payable                                     | 98                | 144               | 190               | 265               | 399               | 604               | 1,467             | 1,424             | 34,267            | 37,785            |
| Capital lease obligation                          | 743               | 396               | 14,824            | 15,845            | 16,590            | 16,697            | 17,291            | 17,448            | 17,942            | -                 |
| <b>Total outstanding debt</b>                     | <b>\$ 668,470</b> | <b>\$ 647,586</b> | <b>\$ 634,245</b> | <b>\$ 653,627</b> | <b>\$ 573,245</b> | <b>\$ 572,027</b> | <b>\$ 551,084</b> | <b>\$ 482,218</b> | <b>\$ 449,863</b> | <b>\$ 420,457</b> |
| Full time equivalent students                     | 45,641            | 44,646            | 44,229            | 43,167            | 42,065            | 41,097            | 40,475            | 39,592            | 37,965            | 36,374            |
| Outstanding debt per student                      | \$ 14,646         | \$ 14,505         | \$ 14,340         | \$ 15,142         | \$ 13,628         | \$ 13,919         | \$ 13,615         | \$ 12,180         | \$ 11,849         | \$ 11,559         |

**Total Outstanding Debt**



Note: Outstanding debt per student calculated using Fall semester full-time equivalent student enrollment data for the last ten academic years.

Source: USC annual Bond Indebtedness Reports, annual Reports on Financial Statements, and USC Institutional Assessment & Compliance Office

<sup>(1)</sup> Due to the implementation of GASB 65, Unamortized Loss on Bond Refunding is no longer reported as part of the Bonds Payable liability. Beginning in fiscal year 2014, it is now classified as a Deferred Outflow of Resources on the Statement of Net Position.



**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Bond Coverage**  
 Last Ten Fiscal Years  
 (amounts in thousands)

### State Institution Bonds

Debt Service Requirements

| Fiscal Year Ended<br>June 30, | Tuition and<br>Matriculation<br>Fees |        | Total Revenue<br>Available for<br>Debt Service |          | Debt Service Requirements |       |    | Coverage Ratio |
|-------------------------------|--------------------------------------|--------|--|----------|---------------------------|-------|----|----------------|
|                               |                                      |        | Principal                                      | Interest | Other Fees                | Total |    |                |
| 2018                          | \$                                   | 34,643 | \$   | 11,155   | \$                        | 53    | \$ | 1.87           |
| 2017                          |                                      | 32,251 |  | 9,330    |                           | 8     |    | 2.06           |
| 2016                          |                                      | 31,865 |  | 11,840   |                           | 223   |    | 1.71           |
| 2015                          |                                      | 30,034 |  | 9,395    |                           | 196   |    | 2.02           |
| 2014                          |                                      | 28,810 |  | 8,510    |                           | 4     |    | 2.20           |
| 2013                          |                                      | 27,778 |  | 8,360    |                           | 19    |    | 2.09           |
| 2012                          |                                      | 26,111 |  | 8,255    |                           | 103   |    | 1.96           |
| 2011                          |                                      | 23,638 |  | 6,920    |                           | 93    |    | 1.97           |
| 2010                          |                                      | 23,074 |  | 6,670    |                           | 2     |    | 1.94           |
| 2009                          |                                      | 21,688 |  | 5,466    |                           | 3     |    | 1.89           |

### Athletic Facilities Revenue Bonds

Debt Service Requirements

| Fiscal Year Ended<br>June 30, | Athletic Revenues |         | Athletic Operating<br>Expenses &<br>Mandatory Transfers |         | Net Athletic<br>Revenues | Special Student<br>Fee | Admissions Fees | Interest Earnings<br>& Miscellaneous | Total Revenue<br>Available for Debt<br>Service |          |            | Coverage Ratio |
|-------------------------------|-------------------|---------|---|---------|--------------------------|------------------------|-----------------|--------------------------------------|--|----------|------------|----------------|
|                               |                   |         |   |         |                          |                        |                 |                                      | Principal                                      | Interest | Other Fees |                |
| 2018                          | \$                | 137,383 | \$  | 122,376 | \$                       | 15,006                 | \$              | 3,929                                | \$   | 4,475    | \$         | 1.70           |
| 2017                          |                   | 132,343 |   | 118,671 |                          | 13,672                 |                 | 3,832                                |  | 3,675    |            | 1.95           |
| 2016                          |                   | 120,086 |   | 105,948 |                          | 14,138                 |                 | 3,516                                |  | 3,480    |            | 1.82           |
| 2015                          |                   | 110,243 |   | 98,989  |                          | 11,254                 |                 | 4,027                                |  | 2,770    |            | 2.00           |
| 2014                          |                   | 98,620  |   | 89,014  |                          | 9,606                  |                 | 1,691                                |  | 2,665    |            | 1.87           |
| 2013                          |                   | 90,484  |   | 79,611  |                          | 10,873                 |                 | 1,695                                |  | 2,535    |            | 1.73           |
| 2012                          |                   | 87,608  |   | 79,628  |                          | 7,980                  |                 | 1,709                                |  | 2,195    |            | 1.50           |
| 2011                          |                   | 84,010  |   | 70,511  |                          | 13,499                 |                 | 1,491                                |  | 1,920    |            | 2.62           |
| 2010                          |                   | 79,879  |   | 62,970  |                          | 16,909                 |                 | 1,803                                |  | 2,955    |            | 3.52           |
| 2009                          |                   | 76,117  |   | 62,870  |                          | 13,247                 |                 | 2,060                                |  | 835      |            | 4.69           |

### Revenue Bonds

Debt Service Requirements

| Fiscal Year Ended<br>June 30, | Revenues |        | Operating Expenses |        | Net Revenue<br>Available for Debt<br>Service |        | Principal |       | Interest |        | Other Fees |     | Total |        | Coverage Ratio |
|-------------------------------|----------|--------|--------------------|--------|--|--------|-----------|-------|----------|--------|------------|-----|-------|--------|----------------|
|                               | \$       |        | \$                 |        | \$   |        | \$        |       | \$       |        | \$         |     | \$    |        |                |
| 2018                          |          | 76,569 |                    | 47,171 |  | 29,398 |           | 8,455 |          | 8,983  |            | 123 |       | 17,561 | 1.67           |
| 2017                          |          | 66,662 |                    | 41,752 |  | 24,910 |           | 7,560 |          | 9,146  |            | 231 |       | 16,937 | 1.47           |
| 2016                          |          | 64,576 |                    | 37,074 |  | 27,502 |           | 6,180 |          | 10,345 |            | 200 |       | 16,725 | 1.64           |
| 2015                          |          | 62,249 |                    | 36,441 |  | 25,808 |           | 8,075 |          | 10,451 |            | 3   |       | 18,529 | 1.39           |
| 2014                          |          | 58,008 |                    | 33,586 |  | 24,422 |           | 7,275 |          | 10,861 |            | 3   |       | 18,139 | 1.35           |
| 2013                          |          | 54,711 |                    | 31,895 |  | 22,816 |           | 6,495 |          | 9,398  |            | 6   |       | 15,899 | 1.44           |
| 2012                          |          | 53,705 |                    | 30,519 |  | 23,186 |           | 6,505 |          | 9,731  |            | 140 |       | 16,376 | 1.42           |
| 2011                          |          | 49,345 |                    | 29,438 |  | 19,907 |           | 6,220 |          | 10,071 |            | 5   |       | 16,296 | 1.22           |
| 2010                          |          | 48,667 |                    | 29,582 |  | 19,085 |           | 5,490 |          | 9,079  |            | 3   |       | 14,572 | 1.31           |
| 2009                          |          | 43,764 |                    | 25,675 |  | 18,089 |           | 3,990 |          | 8,241  |            | 2   |       | 12,233 | 1.48           |

### Special Revenue Bonds

Debt Service Requirements

| Fiscal Year Ended<br>June 30, | Revenues |        | Additional Funds |         | Total Revenue<br>Available for Debt<br>Service |         | Principal |       | Interest |       | Other Fees |   | Total |       | Coverage Ratio |
|-------------------------------|----------|--------|------------------|---------|--|---------|-----------|-------|----------|-------|------------|---|-------|-------|----------------|
|                               | \$       |        | \$               |         | \$   |         | \$        |       | \$       |       | \$         |   | \$    |       |                |
| 2018                          |          | 76,196 |                  | 842,956 |  | 919,152 |           | 2,080 |          | 2,865 |            | 2 |       | 4,947 | 185.80         |
| 2017                          |          | 68,844 |                  | 792,355 |  | 861,199 |           | 2,000 |          | 2,946 |            | 2 |       | 4,948 | 174.05         |
| 2016                          |          | 68,807 |                  | 751,413 |  | 820,220 |           | 1,945 |          | 3,008 |            | 2 |       | 4,955 | 165.53         |
| 2015                          |          | 74,263 |                  | 699,171 |  | 773,434 |           | -     |          | 3,018 |            | 2 |       | 3,020 | 256.10         |
| 2014                          |          | 73,562 |                  | 642,077 |  | 715,639 |           | -     |          | 3,018 |            | 2 |       | 3,020 | 236.97         |
| 2013                          |          | 67,284 |                  | 610,187 |  | 677,471 |           | -     |          | 3,018 |            | - |       | 3,018 | 224.48         |
| 2012                          |          | 70,425 |                  | 579,634 |  | 650,059 |           | -     |          | 159   |            | - |       | 159   | 4,088.42       |

Note: The Special Revenue Bonds were issued in 2012 therefore there is not 10 years of historical data to present.  
 Source: USC Annual Bond Indebtedness Reports and Annual Reports on Financial Statements.

**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Capital Asset Information**  
 Last Ten Fiscal Years

|  | Fiscal Year Ended June 30, |                   |                  |                  |                  |                  |                  |                  |                  |                  |
|--|----------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  | 2018                       | 2017              | 2016             | 2015             | 2014             | 2013             | 2012             | 2011             | 2010             | 2009             |
| <b>Assignable Area By Room Use/Function Use Codes <sup>(1)</sup></b> |                            |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Classrooms   | 437,814                    | 438,912           | 432,238          | 485,392          | 433,447          | 468,616          | 418,613          | 414,930          | 418,832          | 407,832          |
| Laboratories   | 1,117,807                  | 1,107,059         | 1,078,722        | 1,034,664        | 950,490          | 982,770          | 983,826          | 983,594          | 967,433          | 923,919          |
| Office, Support and Other  | 4,393,442                  | 4,437,706         | 4,166,176        | 4,448,249        | 4,306,921        | 4,193,336        | 4,164,334        | 4,240,663        | 4,054,742        | 4,014,410        |
| Auxiliary Services   | 3,784,269                  | 4,158,803         | 4,172,001        | 3,872,022        | 3,865,428        | 3,627,060        | 3,589,702        | 4,213,104        | 4,120,283        | 3,970,535        |
| <b>Total Assignable Square Feet</b>                                  | <b>9,733,332</b>           | <b>10,142,480</b> | <b>9,849,137</b> | <b>9,840,327</b> | <b>9,556,286</b> | <b>9,271,782</b> | <b>9,156,475</b> | <b>9,852,291</b> | <b>9,561,290</b> | <b>9,316,696</b> |
| <b>Student Housing <sup>(2)</sup></b>                                |                            |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Traditional Residence Hall Beds                                      | 1,170                      | 1,172             | 1,172            | 1,172            | 1,206            | 1,521            | 1,481            | 1,481            | 2,086            | 2,082            |
| Suite-Style Hall Beds  | 3,122                      | 3,111             | 3,295            | 3,295            | 3,299            | 2,982            | 2,972            | 2,416            | 2,420            | 1,883            |
| Apartments and Apartment-Style Hall Beds                             | 3,100                      | 2,351             | 2,215            | 2,215            | 2,198            | 2,277            | 2,269            | 2,274            | 2,274            | 2,274            |
| Units available  | 7,392                      | 6,634             | 6,682            | 6,682            | 6,703            | 6,780            | 6,722            | 6,171            | 6,780            | 6,239            |
| Units in use   | 7,302                      | 6,573             | 6,643            | 6,593            | 6,539            | 6,739            | 6,658            | 6,218            | 6,303            | 6,185            |
| Percent occupancy  | 98.8%                      | 99.1%             | 99.4%            | 98.7%            | 97.6%            | 99.4%            | 99.0%            | 100.8%           | 93.0%            | 99.1%            |
| <b>Dining Facilities <sup>(3)</sup></b>                              |                            |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Locations  | 31                         | 27                | 27               | 26               | 26               | 28               | 27               | 26               | 27               | 26               |
| Average daily customers  | 18,719                     | 18,664            | 18,664           | 18,557           | 12,776           | 15,667           | 13,902           | 14,283           | 13,937           | 13,815           |
| <b>Parking Facilities <sup>(4)</sup></b>                             |                            |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Parking spaces available   | 14,015                     | 14,015            | 14,509           | 14,519           | 15,058           | 15,509           | 15,801           | 16,822           | 16,822           | 16,822           |
| Parking permits issued to students                                   | 12,608                     | 14,211            | 15,982           | 16,523           | 18,522           | 17,049           | 18,085           | 17,533           | 16,742           | 16,380           |
| Parking permits issued to faculty/staff                              | 5,925                      | 6,192             | 7,211            | 7,283            | 6,594            | 6,112            | 6,244            | 5,853            | 5,833            | 5,811            |

**Notes:**

(1) Assignable Area by Room Use and Function Use Codes as annually reported to the South Carolina Commission on Higher Education. This is a combination of two reports.

(2) Student Housing is available on the USC Columbia, USC Aiken, USC Beaufort and USC Upstate campuses. All of USC Beaufort and a portion of USC Upstate are outsourced. This reporting is USC Columbia only. Columbia Student Housing bed count does not include 743 beds in the Greek Village. These facilities are on leased University land, but the facilities are not assets of the University.

Columbia Apartments and Apartment-Style Housing for 2018 includes 767 beds leased from a private developer to accommodate the size of the freshman class.

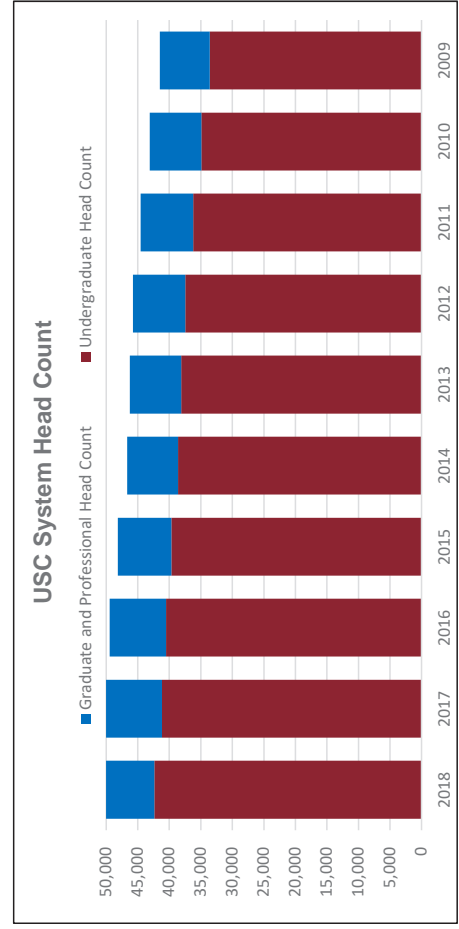
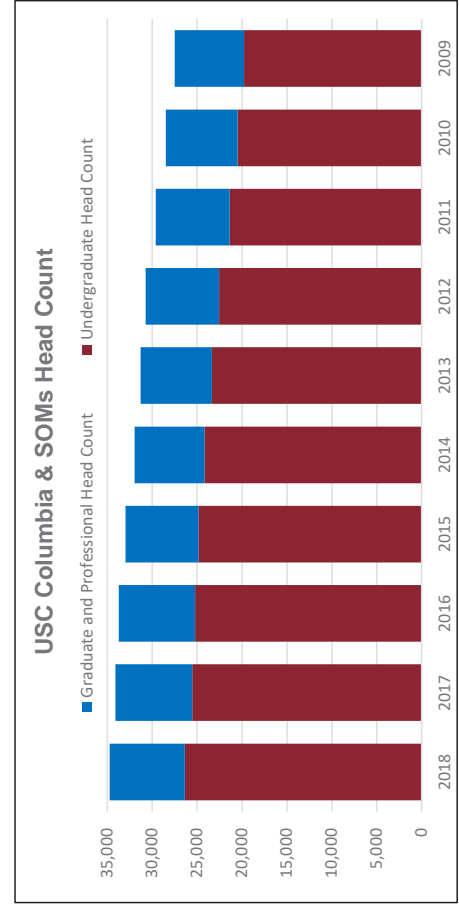
(3) Dining Facilities are available on the USC Columbia, USC Aiken, USC Beaufort, and USC Upstate campuses. All dining facilities are outsourced. This reporting is USC Columbia only. Data for 2017 is unavailable due to transition of dining contract

(4) Parking Facilities are available on all USC campuses. Only USC Columbia treats parking operations as an auxiliary enterprise. This reporting is USC Columbia only.

Sources: University Housing, University Facilities, and University Parking and Transportation Services

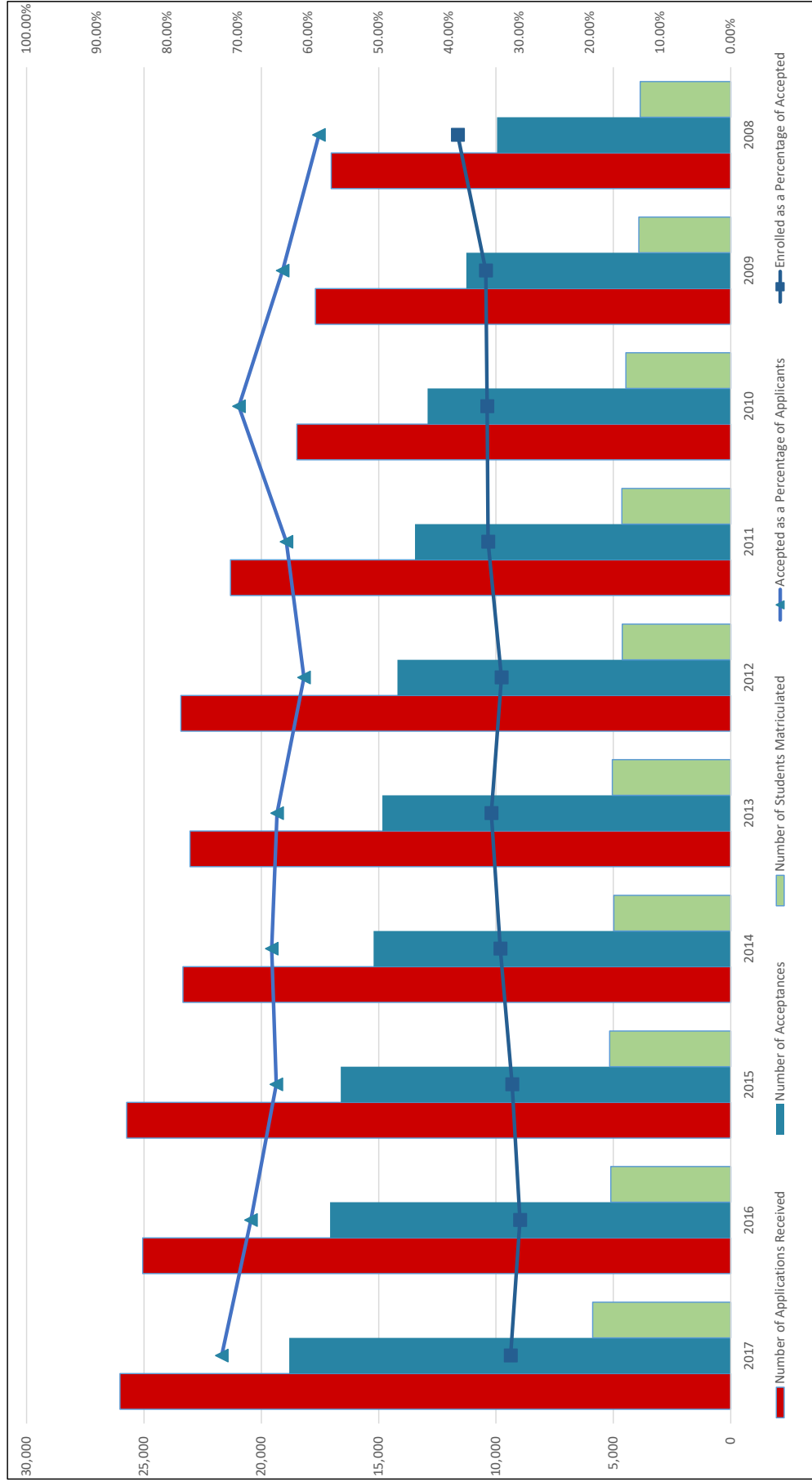
**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Enrollment Statistics**  
 Last Ten Academic Years

|   | 2018   | 2017   | 2016   | 2015   | 2014   | 2013   | 2012   | 2011   | 2010   | 2009   |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>USC Columbia (including the SOMs)</b>  |        |        |        |        |        |        |        |        |        |        |
| Undergraduate Head Count                  | 26,362 | 25,556 | 25,237 | 24,864 | 24,180 | 23,363 | 22,556 | 21,383 | 20,494 | 19,765 |
| Graduate and Professional Head Count      | 8,369  | 8,543  | 8,487  | 8,108  | 7,784  | 7,925  | 8,165  | 8,214  | 7,987  | 7,723  |
| Total Enrollment Head Count               | 34,731 | 34,099 | 33,724 | 32,972 | 31,964 | 31,288 | 30,721 | 29,597 | 28,481 | 27,488 |
| Percentage of Men                         | 44.58% | 45.02% | 44.80% | 44.86% | 44.79% | 44.73% | 44.70% | 44.54% | 43.83% | 42.64% |
| Percentage of Women                       | 55.42% | 54.98% | 55.20% | 55.14% | 55.21% | 55.27% | 55.30% | 55.46% | 56.17% | 57.36% |
| Percentage of White                       | 73.39% | 73.84% | 73.94% | 73.92% | 74.88% | 74.89% | 75.36% | 75.01% | 71.32% | 70.49% |
| Percentage of African American or Black   | 9.40%  | 10.05% | 10.43% | 10.56% | 11.08% | 11.20% | 10.95% | 10.98% | 11.67% | 12.71% |
| Percentage of Other Race and Not Reported | 17.21% | 16.11% | 15.63% | 15.52% | 14.04% | 13.91% | 13.69% | 14.01% | 17.01% | 16.80% |
| Undergraduate FTE                         | 26,145 | 25,331 | 25,092 | 24,580 | 23,790 | 22,890 | 22,167 | 21,130 | 20,156 | 19,463 |
| Graduate and Professional FTE             | 6,281  | 6,443  | 6,396  | 6,179  | 5,974  | 5,891  | 5,917  | 6,020  | 5,784  | 5,614  |
| Total Enrollment FTE                      | 32,426 | 31,774 | 31,488 | 30,759 | 29,764 | 28,781 | 28,084 | 27,150 | 25,940 | 25,077 |
| <b>USC System</b>                         |        |        |        |        |        |        |        |        |        |        |
| Undergraduate Head Count                  | 42,394 | 41,155 | 40,510 | 39,683 | 38,627 | 38,118 | 37,451 | 36,220 | 34,934 | 33,577 |
| Graduate and Professional Head Count      | 8,736  | 8,944  | 8,939  | 8,484  | 8,045  | 8,146  | 8,323  | 8,337  | 8,166  | 7,941  |
| Total Enrollment Head Count               | 51,130 | 50,099 | 49,449 | 48,167 | 46,672 | 46,264 | 45,774 | 44,557 | 43,100 | 41,518 |
| Percentage of Men                         | 41.95% | 42.44% | 42.55% | 42.62% | 42.07% | 42.06% | 41.75% | 41.76% | 41.23% | 40.16% |
| Percentage of Women                       | 58.05% | 57.56% | 57.45% | 57.38% | 57.93% | 57.94% | 58.25% | 58.24% | 58.77% | 59.84% |
| Percentage of White                       | 68.64% | 68.22% | 68.34% | 68.45% | 68.94% | 69.38% | 69.67% | 69.73% | 67.95% | 67.87% |
| Percentage of African American or Black   | 14.39% | 14.56% | 14.91% | 15.16% | 15.72% | 16.24% | 16.05% | 15.58% | 16.37% | 16.86% |
| Percentage of Other Race and Not Reported | 16.97% | 17.22% | 16.75% | 16.39% | 15.34% | 14.38% | 14.28% | 14.69% | 15.68% | 15.27% |
| Undergraduate FTE                         | 39,227 | 38,062 | 37,592 | 36,840 | 36,009 | 35,122 | 34,491 | 33,516 | 32,119 | 30,689 |
| Graduate and Professional FTE             | 6,414  | 6,584  | 6,537  | 6,327  | 6,056  | 5,975  | 5,984  | 6,076  | 5,846  | 5,685  |
| Total Enrollment FTE                      | 45,641 | 44,646 | 44,229 | 43,167 | 42,065 | 41,097 | 40,475 | 39,592 | 37,965 | 36,374 |



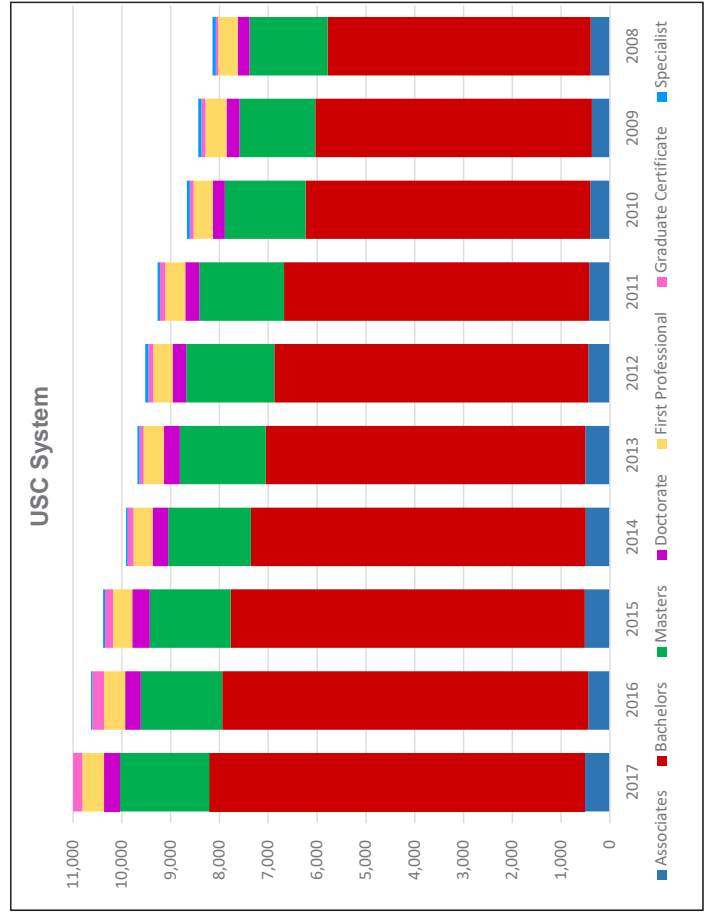
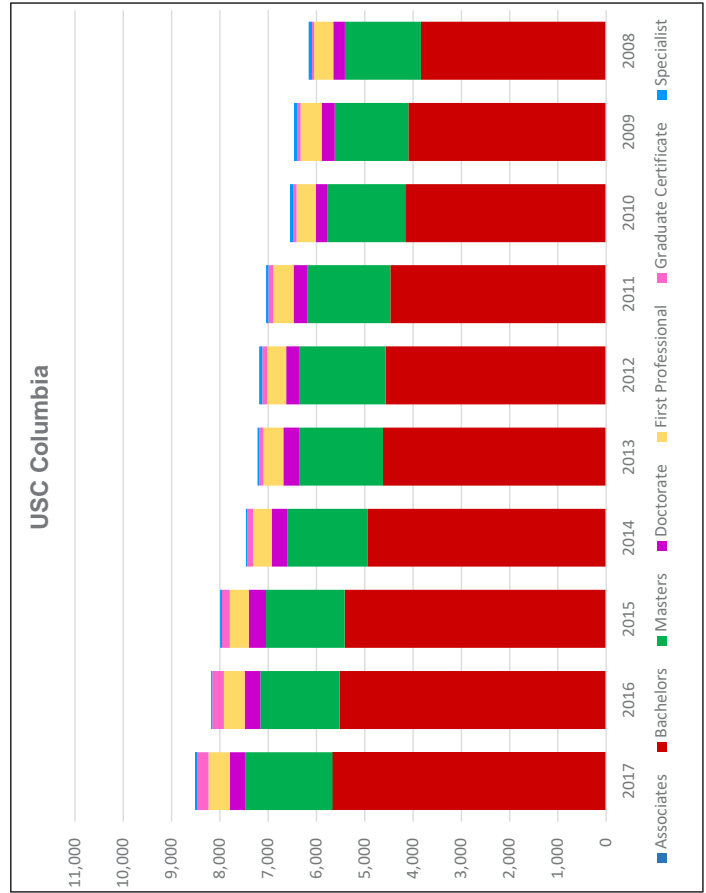
**UNIVERSITY OF SOUTH CAROLINA COLUMBIA**  
**Schedule of Admissions Statistics**  
 Last Ten Academic Years

|  | 2017   | 2016   | 2015   | 2014   | 2013   | 2012   | 2011   | 2010   | 2009   | 2008   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>USC Columbia</b>                    |        |        |        |        |        |        |        |        |        |        |
| Number of Applications Received        | 26,019 | 25,057 | 25,736 | 23,341 | 23,035 | 23,429 | 21,311 | 18,485 | 17,698 | 17,018 |
| Number of Acceptances                  | 18,811 | 17,073 | 16,611 | 15,219 | 14,844 | 14,199 | 13,451 | 12,914 | 11,264 | 9,954  |
| Number of Students Matriculated        | 5,880  | 5,110  | 5,156  | 4,980  | 5,046  | 4,625  | 4,636  | 4,468  | 3,917  | 3,859  |
| Accepted as a Percentage of Applicants | 72.30% | 68.14% | 64.54% | 65.20% | 64.44% | 60.60% | 63.12% | 69.86% | 63.65% | 58.49% |
| Enrolled as a Percentage of Accepted   | 31.26% | 29.93% | 31.04% | 32.72% | 33.99% | 32.57% | 34.47% | 34.60% | 34.77% | 38.77% |
| Median Combined SAT Score              | 1240   | 1215   | 1210   | 1210   | 1207   | 1199   | 1190   | 1187   | 1192   | 1191   |



**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Degree Data**  
 Last Ten Academic Years

|  | 2017          | 2016          | 2015          | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         |
|--|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>USC Columbia (including the SOMs)</b> |               |               |               |              |              |              |              |              |              |              |
| Associates                               | 6             | 3             | 4             | 4            | 4            | 7            | 6            | 8            | 5            | 11           |
| Undergraduate Certificate                | 17            | 14            | 15            | 15           | 13           | 16           | -            | -            | -            | -            |
| Bachelors                                | 5,658         | 5,515         | 5,412         | 4,933        | 4,616        | 4,561        | 4,462        | 4,135        | 4,092        | 3,823        |
| Masters                                  | 1,810         | 1,643         | 1,626         | 1,662        | 1,735        | 1,779        | 1,719        | 1,623        | 1,525        | 1,574        |
| Doctorate                                | 317           | 322           | 358           | 322          | 330          | 279          | 289          | 249          | 270          | 243          |
| First Professional                       | 444           | 431           | 393           | 394          | 414          | 395          | 414          | 394          | 433          | 396          |
| Graduate Certificate                     | 253           | 243           | 164           | 115          | 80           | 99           | 103          | 76           | 77           | 47           |
| Specialist                               | 31            | 24            | 37            | 32           | 40           | 63           | 48           | 61           | 64           | 68           |
| <b>Total Degrees Awarded</b>             | <b>8,536</b>  | <b>8,195</b>  | <b>8,009</b>  | <b>7,477</b> | <b>7,232</b> | <b>7,199</b> | <b>7,041</b> | <b>6,546</b> | <b>6,466</b> | <b>6,162</b> |
| <b>USC System</b>                        |               |               |               |              |              |              |              |              |              |              |
| Associates                               | 508           | 441           | 515           | 497          | 503          | 441          | 424          | 403          | 370          | 394          |
| Undergraduate Certificate                | 18            | 14            | 15            | 15           | 13           | 16           | -            | -            | -            | -            |
| Bachelors                                | 7,699         | 7,502         | 7,259         | 6,859        | 6,546        | 6,434        | 6,254        | 5,830        | 5,666        | 5,390        |
| Masters                                  | 1,842         | 1,669         | 1,656         | 1,692        | 1,761        | 1,806        | 1,734        | 1,655        | 1,551        | 1,603        |
| Doctorate                                | 317           | 322           | 358           | 322          | 330          | 279          | 289          | 249          | 270          | 243          |
| First Professional                       | 444           | 431           | 393           | 394          | 414          | 395          | 414          | 394          | 433          | 396          |
| Graduate Certificate                     | 258           | 244           | 164           | 117          | 84           | 102          | 105          | 76           | 79           | 47           |
| Specialist                               | 31            | 24            | 37            | 32           | 40           | 63           | 48           | 61           | 64           | 68           |
| <b>Total Degrees Awarded</b>             | <b>11,117</b> | <b>10,647</b> | <b>10,397</b> | <b>9,928</b> | <b>9,691</b> | <b>9,536</b> | <b>9,268</b> | <b>8,668</b> | <b>8,433</b> | <b>8,141</b> |



**UNIVERSITY OF SOUTH CAROLINA**  
**Faculty and Staff Statistics**  
 Last Ten Academic Years

| <b>Faculty</b> <sup>(1)</sup>            | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>USC Columbia (including the SOMs)</b> |             |             |             |             |             |             |             |             |             |             |
| Number of FTE Faculty                    | 1,933       | 1,869       | 1,869       | 1,974       | 1,948       | 1,767       | 1,719       | 1,654       | 1,641       | 1,699       |
| Number of Full-time Faculty              | 1,720       | 1,581       | 1,581       | 1,666       | 1,689       | 1,520       | 1,525       | 1,465       | 1,463       | 1,513       |
| Number of Part-time Faculty              | 640         | 864         | 864         | 923         | 776         | 742         | 581         | 568         | 533         | 557         |
| Number of Tenured Faculty                | 1,113       | 944         | 944         | 982         | 1,035       | 992         | 1,004       | 977         | 974         | 1,000       |
| Tenure Ratio (%) Full-time               | 65%         | 60%         | 60%         | 59%         | 61%         | 65%         | 66%         | 67%         | 67%         | 66%         |
| Average Faculty Salary                   | \$101,023   | \$99,052    | \$93,074    | \$89,967    | \$88,005    | \$86,552    | \$83,236    | \$80,577    | \$79,615    | \$78,089    |
| <b>USC System</b> <sup>(1)</sup>         |             |             |             |             |             |             |             |             |             |             |
| Number of FTE Faculty                    | 2,717       | 2,778       | 2,527       | 2,637       | 2,649       | 2,457       | 2,415       | 2,352       | 2,323       | 2,381       |
| Number of Full-time Faculty              | 2,324       | 2,310       | 2,068       | 2,174       | 2,213       | 2,031       | 2,070       | 2,006       | 1,997       | 2,060       |
| Number of Part-time Faculty              | 1,179       | 1,404       | 1,377       | 1,390       | 1,307       | 1,277       | 1,036       | 1,037       | 977         | 962         |
| Number of Tenured Faculty                | 1,535       | 1,525       | 1,256       | 1,307       | 1,368       | 1,328       | 1,371       | 1,340       | 1,324       | 1,367       |
| Tenure Ratio (%) Full-time               | 66%         | 66%         | 61%         | 60%         | 62%         | 65%         | 66%         | 67%         | 66%         | 66%         |
| <b>Total Employees</b> <sup>(2)</sup>    |             |             |             |             |             |             |             |             |             |             |
| <b>USC Columbia (including the SOMs)</b> |             |             |             |             |             |             |             |             |             |             |
| Full-time FTE Position                   | 4,932       | 4,941       | 4,722       | 4,799       | 4,730       | 4,633       | 4,503       | 4,475       | 4,499       | 4,704       |
| Part-time FTE Position                   | 67          | 66          | 78          | 78          | 92          | 96          | 93          | 97          | 80          | 81          |
| Temporary                                | 2,619       | 2,573       | 2,366       | 2,275       | 2,242       | 2,445       | 2,206       | 1,939       | 1,753       | 1,830       |
| Research Grant                           | 802         | 787         | 864         | 819         | 753         | 720         | 646         | 587         | 517         | 477         |
| Students                                 | 6,296       | 6,126       | 6,217       | 6,003       | 6,114       | 5,803       | 5,743       | 5,370       | 5,471       | 5,620       |
| Total Employees                          | 14,716      | 14,493      | 14,247      | 13,974      | 13,931      | 13,697      | 13,191      | 12,468      | 12,320      | 12,712      |
| <b>Total Employees</b> <sup>(2)</sup>    |             |             |             |             |             |             |             |             |             |             |
| <b>USC System</b>                        |             |             |             |             |             |             |             |             |             |             |
| Full-time FTE Position                   | 6,263       | 6,267       | 6,084       | 6,106       | 6,053       | 5,914       | 5,789       | 5,740       | 5,765       | 6,007       |
| Part-time FTE Position                   | 73          | 71          | 82          | 86          | 101         | 107         | 107         | 109         | 89          | 90          |
| Temporary                                | 3,641       | 3,576       | 3,335       | 3,196       | 3,183       | 3,404       | 3,140       | 2,867       | 2,584       | 2,675       |
| Research Grant                           | 836         | 822         | 892         | 848         | 782         | 752         | 683         | 630         | 560         | 519         |
| Students                                 | 7,462       | 7,256       | 7,345       | 7,147       | 7,337       | 6,990       | 6,907       | 6,454       | 6,536       | 6,603       |
| Total Employees                          | 18,275      | 17,992      | 17,738      | 17,383      | 17,456      | 17,167      | 16,626      | 15,800      | 15,534      | 15,894      |
| <b>Students per FTE</b>                  |             |             |             |             |             |             |             |             |             |             |
| <b>USC Columbia (including the SOMs)</b> |             |             |             |             |             |             |             |             |             |             |
| Faculty                                  | 16.77       | 17.00       | 16.85       | 15.58       | 15.28       | 16.29       | 16.34       | 16.41       | 15.81       | 14.76       |
| Full-time Employees                      | 6.57        | 6.43        | 6.67        | 6.41        | 6.29        | 6.21        | 6.24        | 6.07        | 5.77        | 5.33        |
| <b>Students per FTE</b>                  |             |             |             |             |             |             |             |             |             |             |
| <b>USC System</b>                        |             |             |             |             |             |             |             |             |             |             |
| Faculty                                  | 16.80       | 16.07       | 17.50       | 16.37       | 15.88       | 16.73       | 16.76       | 16.83       | 16.34       | 15.28       |
| Full-time Employees                      | 7.29        | 7.12        | 7.27        | 7.07        | 6.95        | 6.95        | 6.99        | 6.90        | 6.59        | 6.06        |

Notes:

(1) USC Columbia Faculty Data and System Faculty Data compiled annually by the Office of Institutional Research and Assessment in October of each year. All prior years have been restated to reflect the data reported to IPEDS.

(2) Total USC Columbia Employees and Total System Employees compiled annually by Human Resources in October of each year.

**UNIVERSITY OF SOUTH CAROLINA**  
**Undergraduate Required Tuition and Fees - Resident**  
Comparison to Peer Institutions - Last Ten Fiscal Years

|   | 2018      | 2017      | 2016      | 2015      | 2014      | 2013      | 2012      | 2011     | 2010     | 2009     |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|
| <b>Undergraduate Resident</b>           |           |           |           |           |           |           |           |          |          |          |
| University of South Carolina - Columbia | \$ 12,262 | \$ 11,854 | \$ 11,482 | \$ 11,158 | \$ 10,816 | \$ 10,488 | \$ 10,168 | \$ 9,786 | \$ 9,156 | \$ 8,838 |
| <b>SEC Institutions - Public</b>        |           |           |           |           |           |           |           |          |          |          |
| University of Alabama                   | 11,580    | 11,270    | 10,170    | 9,826     | 9,450     | 9,200     | 8,600     | 7,900    | 7,000    | 6,400    |
| University of Arkansas                  | 9,062     | 8,820     | 8,522     | 7,848     | 7,818     | 7,554     | 7,174     | 6,768    | 6,460    | 6,400    |
| Auburn University                       | 10,968    | 10,696    | 10,424    | 10,200    | 9,852     | 9,446     | 8,698     | 7,900    | 6,972    | 6,500    |
| University of Florida                   | 6,380     | 6,380     | 6,310     | 6,310     | 6,263     | 6,143     | 5,657     | 5,045    | 4,373    | 3,777    |
| University of Georgia                   | 11,818    | 11,634    | 11,622    | 10,836    | 10,262    | 9,842     | 9,472     | 8,736    | 7,530    | 6,030    |
| University of Kentucky                  | 13,135    | 12,631    | 12,029    | 11,677    | 11,064    | 9,676     | 9,128     | 8,610    | 8,123    | 7,736    |
| Louisiana State University              | 11,318    | 10,758    | 9,660     | 8,701     | 7,829     | 6,989     | 6,354     | 5,764    | 5,233    | 5,086    |
| University of Mississippi               | 8,190     | 7,644     | 7,444     | 7,096     | 6,760     | 6,282     | 5,790     | 5,436    | 5,106    | 5,106    |
| Mississippi State University            | 8,318     | 7,780     | 7,502     | 7,140     | 6,772     | 6,264     | 5,805     | 5,461    | 5,151    | 5,151    |
| University of Missouri                  | 11,008    | 10,716    | 10,586    | 10,286    | 9,415     | 9,257     | 8,989     | 8,501    | 8,501    | 8,467    |
| University of Tennessee                 | 12,970    | 12,724    | 12,186    | 11,876    | 11,194    | 9,092     | 8,396     | 7,382    | 6,850    | 6,250    |
| Texas A&M University                    | 7,052     | 6,679     | 9,607     | 9,355     | 8,506     | 8,506     | 8,419     | 8,386    | 8,177    | 7,844    |
| <b>ACC Institutions - Public</b>        |           |           |           |           |           |           |           |          |          |          |
| Clemson University                      | 14,712    | 14,708    | 13,882    | 13,446    | 13,054    | 12,674    | 12,304    | 11,908   | 11,078   | 10,608   |
| Florida State University                | 6,507     | 6,507     | 5,644     | 6,507     | 6,507     | 6,402     | 5,826     | 5,238    | 4,566    | 3,988    |
| Georgia Tech                            | 12,418    | 12,212    | 12,204    | 11,394    | 10,650    | 10,098    | 9,652     | 8,716    | 7,606    | 6,040    |
| University of Louisville                | 11,068    | 11,068    | 10,738    | 10,236    | 9,750     | 9,466     | 8,930     | 8,424    | 7,944    | 7,564    |
| N.C. State University                   | 9,058     | 8,880     | 8,581     | 8,296     | 8,206     | 7,788     | 7,018     | 6,529    | 5,474    | 5,286    |
| University of North Carolina            | 8,989     | 8,834     | 8,591     | 8,336     | 8,340     | 7,693     | 7,008     | 6,665    | 5,625    | 5,397    |
| University of Pittsburgh                | 19,080    | 18,618    | 18,192    | 17,772    | 17,100    | 16,590    | 16,132    | 14,936   | 14,154   | 13,642   |
| Virginia Tech                           | 13,230    | 12,852    | 12,485    | 12,017    | 11,455    | 10,923    | 10,509    | 9,459    | 8,605    | 8,189    |
| University of Virginia                  | 16,068    | 15,714    | 14,476    | 13,111    | 12,466    | 12,216    | 11,786    | 10,828   | 9,872    | 9,490    |

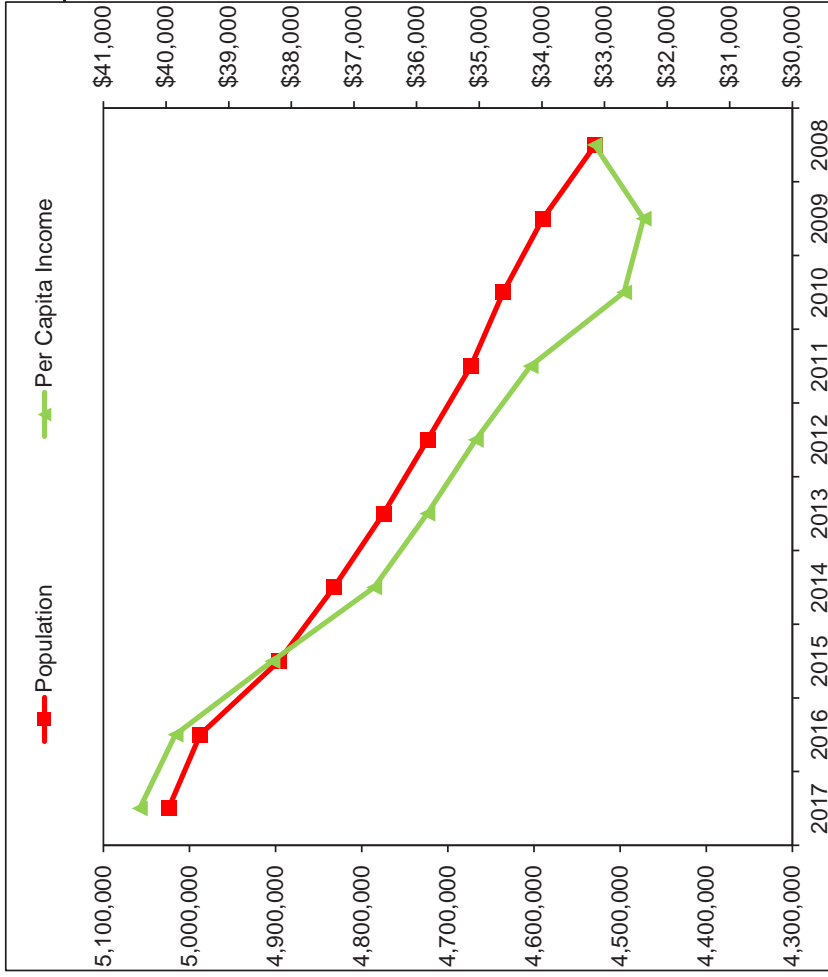
**UNIVERSITY OF SOUTH CAROLINA**  
**Undergraduate Required Tuition and Fees - Nonresident**  
Comparison to Peer Institutions - Last Ten Fiscal Years

|   | 2018      | 2017      | 2016      | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Undergraduate Resident</b>           |           |           |           |           |           |           |           |           |           |           |
| University of South Carolina - Columbia | \$ 32,362 | \$ 31,282 | \$ 30,298 | \$ 29,440 | \$ 28,528 | \$ 27,644 | \$ 26,352 | \$ 25,362 | \$ 23,732 | \$ 22,908 |
| <b>SEC Institutions - Public</b>        |           |           |           |           |           |           |           |           |           |           |
| University of Alabama                   | 28,900    | 27,750    | 25,950    | 24,950    | 23,950    | 22,950    | 21,900    | 20,500    | 19,200    | 18,000    |
| University of Arkansas                  | 24,308    | 23,168    | 21,826    | 19,939    | 19,074    | 18,434    | 17,606    | 16,000    | 15,338    | 15,278    |
| Auburn University                       | 29,640    | 28,840    | 28,040    | 27,384    | 26,364    | 25,190    | 23,920    | 21,916    | 19,452    | 18,260    |
| University of Florida                   | 28,658    | 28,658    | 28,588    | 28,588    | 28,540    | 28,420    | 27,934    | 27,322    | 23,744    | 20,622    |
| University of Georgia                   | 30,392    | 29,844    | 29,832    | 29,046    | 28,472    | 28,052    | 27,682    | 26,946    | 25,740    | 22,342    |
| University of Kentucky                  | 29,219    | 27,467    | 25,353    | 23,947    | 22,150    | 19,864    | 18,740    | 17,678    | 16,678    | 15,884    |
| Louisiana State University              | 27,994    | 27,434    | 26,820    | 26,411    | 25,735    | 22,265    | 19,362    | 16,549    | 14,383    | 13,800    |
| University of Mississippi               | 23,454    | 22,012    | 20,674    | 19,144    | 17,628    | 16,266    | 14,796    | 13,890    | 13,044    | 12,468    |
| Mississippi State University            | 22,358    | 20,900    | 20,142    | 18,478    | 16,960    | 15,828    | 14,670    | 13,801    | 13,021    | 12,503    |
| University of Missouri                  | 26,596    | 25,998    | 25,198    | 24,312    | 23,764    | 23,366    | 21,784    | 20,516    | 19,592    | 19,558    |
| University of Tennessee                 | 31,390    | 31,144    | 30,636    | 30,326    | 29,684    | 27,582    | 25,538    | 22,720    | 20,946    | 19,208    |
| Texas A&M University                    | 33,803    | 30,208    | 28,200    | 26,532    | 25,126    | 25,036    | 23,809    | 22,816    | 22,607    | 22,184    |
| <b>ACC Institutions - Public</b>        |           |           |           |           |           |           |           |           |           |           |
| Clemson University                      | 35,654    | 34,590    | 32,800    | 31,824    | 30,488    | 29,600    | 28,462    | 27,420    | 25,388    | 23,630    |
| Florida State University                | 21,673    | 21,673    | 18,788    | 21,673    | 21,673    | 21,569    | 20,992    | 19,772    | 18,804    | 18,432    |
| Georgia Tech                            | 33,014    | 32,404    | 32,369    | 30,698    | 29,954    | 29,402    | 27,862    | 26,926    | 26,016    | 25,182    |
| University of Louisville                | 26,090    | 26,090    | 25,044    | 24,124    | 23,638    | 22,950    | 21,650    | 20,424    | 19,272    | 18,354    |
| N.C. State University                   | 27,406    | 26,399    | 24,932    | 23,551    | 21,661    | 20,953    | 19,853    | 19,064    | 17,959    | 17,584    |
| University of North Carolina            | 34,588    | 33,916    | 33,673    | 33,418    | 30,122    | 28,445    | 26,834    | 25,280    | 23,513    | 22,295    |
| University of Pittsburgh                | 30,642    | 29,758    | 28,958    | 28,168    | 27,106    | 26,280    | 25,540    | 24,592    | 23,852    | 23,290    |
| Virginia Tech                           | 31,014    | 29,975    | 29,129    | 28,048    | 27,211    | 25,915    | 24,480    | 23,217    | 21,878    | 20,825    |
| University of Virginia                  | 46,546    | 45,058    | 43,772    | 42,297    | 39,852    | 37,546    | 36,108    | 33,102    | 31,430    | 29,572    |



**UNIVERSITY OF SOUTH CAROLINA**  
**State of South Carolina Demographic Statistics**  
 Last Ten Calendar Years

| Year | Personal Income<br>(In thousands) (a) | Population at<br>at July 1 (a) | Per Capita<br>Income (a) | Average Annual<br>Unemployment<br>Rate (b) |
|------|---------------------------------------|--------------------------------|--------------------------|--|
| 2017 | \$ 203,088,000                        | 5,024,369                      | \$ 40,421                | 4.3%                                       |
| 2016 | 198,762,651                           | 4,987,575                      | 39,852                   | 4.8%                                       |
| 2015 | 187,532,342                           | 4,896,143                      | 38,302                   | 6.0%                                       |
| 2014 | 177,242,275                           | 4,832,482                      | 36,677                   | 6.4%                                       |
| 2013 | 171,088,428                           | 4,774,839                      | 35,831                   | 7.6%                                       |
| 2012 | 165,595,079                           | 4,723,723                      | 35,056                   | 9.1%                                       |
| 2011 | 159,747,330                           | 4,673,348                      | 34,183                   | 10.4%                                      |
| 2010 | 151,536,772                           | 4,635,835                      | 32,688                   | 11.2%                                      |
| 2009 | 148,602,980                           | 4,589,872                      | 32,376                   | 11.5%                                      |
| 2008 | 150,165,760                           | 4,528,996                      | 33,157                   | 6.8%                                       |



(a) Source: U.S. Department of Commerce, Bureau of Economic Analysis  
 (b) Source: U.S. Department of Labor, Bureau of Labor Statistics

**UNIVERSITY OF SOUTH CAROLINA**  
**State of South Carolina Ten Largest Employers**  
 Latest Completed Calendar Year and Nine Years Prior  
 Listed Alphabetically

| 2017                                 | 2008                                     |
|--------------------------------------|--|
| Greenville Health System             | Bi-Lo, LLC                               |
| Lowes Home Centers, Inc.             | Blue Cross Blue Shield of South Carolina |
| Michelin North America, Inc.         | Greenville Hospital System               |
| Palmetto Health Alliance, Inc.       | Michelin North America, Inc.             |
| Publix Super Markets, Inc.           | Palmetto Health Alliance, Inc.           |
| School District of Greenville County | School District of Greenville County     |
| University of South Carolina         | University of South Carolina             |
| US Department of Defense             | US Department of Defense                 |
| US Postal Service                    | US Postal Service                        |
| Wal-Mart Associates, Inc.            | Wal-Mart Associates, Inc.                |

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.  
 Source: South Carolina Department of Employment and Workforce.

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President Harris Pastides and First Lady Patricia Moore Pastides walk along the historic Horseshoe. After a decade of service as president and leading the University of South Carolina through an unprecedented period of growth and success, President Harris Pastides announced that he will retire as president effective the summer of 2019.

*Photo provided by University Creative Services*



This Comprehensive Annual Financial Report is also available on the University of South Carolina's Financial Reporting website located at: [web.admin.sc.edu/fr/](http://web.admin.sc.edu/fr/)



# UNIVERSITY OF SOUTH CAROLINA

The University of South Carolina, founded in 1801 serves the state from its flagship Columbia campus, three comprehensive campuses, and four regional campuses. The University is committed to serving the citizens of South Carolina through its academic excellence and outreach. It has forged a variety of cooperative relationships with other academic institutions and health systems throughout the state, and a number of international connections for academic exchange and collaborative research.

The University of South Carolina does not discriminate in educational or employment opportunities or decisions for qualified persons on the basis of race, color, religion, sex, national origin, age, disability, genetics, sexual orientation or veteran status.